Lee Valley
Regional Park Authority

Lee Valley Regional Park Authority
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To: Frances Button (Chairman)
John Bevan
Christine Hamilton
Simon Walsh
Claudia Webbe
John Wyllie
Vacancy

A meeting of the **AUDIT COMMITTEE** (Quorum – 3) will be held at these offices on:

THURSDAY, 14 FEBRUARY 2019 AT 12:30

at which the following business will be transacted:

AGENDA

1 To receive apologies for absence.

2 DECLARATION OF INTERESTS

Members are asked to consider whether or not they have disclosable pecuniary, other pecuniary or non-pecuniary interests in any item on this Agenda. Other pecuniary and non-pecuniary interests are a matter of judgement for each Member. (Declarations may also be made during the meeting if necessary.)

3 MINUTES OF LAST MEETING

To approve the Minutes of the meeting held on 20 September 2018 (copy herewith).

4 PUBLIC SPEAKING

To receive any representations from members of the public or representative of an organisation on an issue which is on the agenda of the meeting. Subject to the Chairman's discretion a total of 20 minutes will be allowed for public speaking and the presentation of petitions at each meeting.

5 ACCOUNTING POLICIES AND ACCOUNTS CLOSEDOWN TIMETABLE 2018/19 — Paper AUD/95/19

Presented by Simon Sheldon, Director of Finance & Resources

6 EXTERNAL AUDIT 2018/19 – AUDIT PLAN Paper AUD/96/19

Presented by Simon Sheldon, Director of Finance & Resources

7 RISK REGISTER 2018/19 Paper AUD/97/19

Presented by Simon Sheldon, Director of Finance & Resources

8 URGENT BUSINESS

Such other business as in the opinion of the Chairman of the meeting is of sufficient urgency by reason of special circumstances to warrant consideration.

9 EXEMPT ITEMS

Consider passing a resolution based on the principles of Section 100A(4) of the Local Government Act 1972, excluding the public and press from the meeting for the items of business listed on Part II of the Agenda, on the grounds that they involve the likely disclosure of exempt information as defined in those sections of Part I of Schedule 12A of the Act specified beneath each item. (There are no items currently listed for consideration in Part II.)

6 February 2019

Shaun Dawson
Chief Executive

LEE VALLEY REGIONAL PARK AUTHORITY

AUDIT COMMITTEE MINUTES
20 SEPTEMBER 2018

Members Present:	Frances Button (Chairman) John Bevan Christine Hamilton	

Apologies Received From: Simon Walsh, Claudia Webbe, John Wyllie, Debbie Hansen (Ernst & Young)

Officers Present:	Simon Sheldon	- Director of Finance & Resources
	Beryl Foster	- Director of Corporate Services
	Dan Buck	- Head of Sport & Leisure
	Lindsey Johnson	- Committee Services Officer
Also Present:	Vanessa Bateman	- Mazars

Part I

The Chairman informed Members that she had recently spoken with the Conservative Whip regarding the vacancy on this Committee and hopefully it will be filled soon.

147 DECLARATIONS OF INTEREST

There were no declarations of interest.

148 MINUTES OF LAST MEETING

THAT the minutes of the meetings held on 21 June and 5 July 2018 be approved and signed.

149 PUBLIC SPEAKING

No requests from the public to speak or present petitions had been received for this meeting.

150 RISK REGISTER 2018/19 Paper AUD/94/18

The report was introduced by the Director of Finance & Resources informing Members that following the suggestions from the Risk Register Workshop many of the risks have been amalgamated which has resulted in a significant reduction in the inherent risk score.

The Chairman noted that 'tolerate' means that we are continuing to monitor the risk. She queried why 'Management of Facilities Contracts' was 'treat' when the action was for ongoing monitoring. The Director of Finance & Resources stated that the annual inspection and report was the ongoing treatment.

Members were informed that the high risk items are being reported to Members regularly at working group meetings.

A Member asked whether issues surrounding the Green Belt should be included in the Risk Register. The Chairman invited officers to review this risk and decide whether it should be included or was already encapsulated within existing risks on the register.

(1) the Corporate Risk Register included at Appendices A and B to Paper AUD/94/18 were approved.

The Chairman agreed to consider a late item.

151 ANNUAL AUDIT LETTER FOR THE YEAR ENDED 31 MARCH 2018

The annual audit letter for the year ended 31 March 2018 was tabled.

The Director of Finance & Resources explained to Members that at the last meeting Members approved the 2017/18 final accounts and the external auditors audit results report where there were no material issues to report and an unqualified assurance was issued. This letter gives an edited version of the external auditors' results report to be published on our website so that members of the public can see and have satisfaction that there are no matters of public or Secretary of State interest.

Members asked if we could ask Ernst & Young if the format of the report could be looked at as it is set out in a complicated manner and understanding from the report is lost. The Director of Finance & Resources informed Members that he would soon be meeting with the new Audit Director who will be taking over our account in the New Year and would discuss the matter.

(1) Members noted the Annual Audit letter.

Chairman

Date

The meeting started at 1.25pm and ended at 1.40pm.

Lee Valley Regional Park Authority **LEE VALLEY REGIONAL PARK AUTHORITY** **AUDIT COMMITTEE** **14 FEBRUARY 2019 AT 12.30**	**Agenda Item No:** **5** **Report No:** **AUD/95/19**

ACCOUNTING POLICIES AND ACCOUNTS CLOSEDOWN TIMETABLE 2018/19

Presented by the Director of Finance & Resources

SUMMARY

The Authority is required to close its Financial Accounts under the Accounting and Audit Regulations 2015 and this must be in accordance with International Financial Reporting Standards. As part of the process Members are asked to approve the Accounting Policies and the Closedown Timetable for 2018/19.

RECOMMENDATIONS

Members Approve:

(1) the Accounting Policies set out in Appendix A of this report;

(2) the Draft Closedown Timetable set out in Appendix B of this report;

(3) a special Audit Committee to approve and sign-off the accounts and to receive the annual Audit Results report on 4 July 2019 following the AGM; and

Members Note

(4) the review of accounting policies as set out from paragraph 2 and the key judgements and assumptions set out in paragraphs 11 to 14 of this report.

BACKGROUND

1 Under the Accounting and Audit Regulations 2015, the Authority is required to approve its Financial Accounts for 2018/19 by 31 July 2019. Accounting Policies (as set out in Appendix A of this report) are the guidelines, assumptions and underlying principles on which the information contained in the Financial Statements will be based. These Policies are prepared in accordance with CIPFA's (Chartered Institute of Public Finance & Accounting) Code of Practice on Local Authority Accounting (the Code).

A draft closedown timetable is attached at Appendix B to this report, which has been prepared for the timely completion of the year end accounts process.

REVIEW OF ACCOUNTING POLICIES

2 The Authority is required to consider any interests it may have in subsidiaries, associates and joint ventures and prepare group accounts where they have material interests under International Financial Reporting Standards (IFRS).

The Authority has reviewed its position with regards to the relationship that exists between the Authority and Lee Valley Leisure Trust Ltd (the Trust), who have been running the majority of the leisure facilities since April 2015 and have concluded that a material interest does not exist, for the following key reasons:

- Control – the Authority has two appointments on the Trust board. Since July 2017 these appointments are no longer Members of the Authority. This constitutes just over 20% of the board and therefore cannot be regarded as having a controlling influence.

- Policy and Financial decision making - all policies, budget setting, financial monitoring, tax and statutory returns and accounts closure policies for the Trust are decided by the Trust with no direct influence from the Authority. The existing contract specifies services to be delivered and a balance between commercial and community activities but the mechanism for delivery is at the sole discretion of the Trust.

- Materiality – the Trust has a major contract with the Authority with the Management Fee currently set at £2.3m from the overall levy of £9.6m which is less than 25% of funding from the taxpayers. This is scheduled to reduce to £1.5m by 2020 and will then represent nearer 15%. The question as to whether the Authority exerts indirect influence over the Trust due to the scale of the Management Fee is discounted on the following grounds:

  a) this is below a quarter of the Authority's levy and reducing; and
  b) in terms of business operation and activities the Trust has total discretion to deliver the outputs required of the contract in any way it chooses, enter into other third party contracts alongside the Authority's contract and generate its own income through other charitable or trading activities.

3 Officers have continued to monitor whether a policy is required for the Carbon Reduction Commitment (CRC) scheme, and the impact of Phase 3 of this scheme in 2018/19. This may require a change in accounting policies in future years.

4 A number of new, or amended IFRS have been introduced to the CIPFA Code of Practice for 2018-19:

- IFRS 9 Financial Instruments;
- IFRS 15 Revenue from Contracts with customers; and
- Amendments to IAS 7 (Statement of Cash Flows) and IAS 12 (Income Taxes).

5 Officers have reviewed IFRS 9 with reference to presentation within the Financial Statements. This standard introduces changes in the classification of Financial Assets and Members are directed to the change of accounting policy shown in Financial Instruments in Appendix A to this report.

This standard will require a change in presentation of the notes to the accounts for Financial Instruments, but as the Authority only has financial assets that are classified as loans or receivables, there is unlikely to be any change to the actual accounting treatment.

6 IFRS 15 relates to revenue received from customers with contracts. As the majority of income the Authority receives is from either taxation (through the Levy) and/or grants, neither of which fall within the scope of IFRS 15, this standard will not have a material impact on the Authority.

7 Officers continue to review all accounting standards in place within the Code of Practice and will report back if any subsequent change to accounting policies is required.

8 The Accounting Policies for the financial year 2018/19 follow those adopted for 2017/18 under IFRS with no other amendments than those already stated.

9 The draft Accounting Policies that will be included in the Financial Statements are shown in Appendix A to this report.

CLOSEDOWN TIMETABLE 2018/19

10 The Authority has set itself an ambitious but achievable timetable for closedown. The detailed tasks and deadlines for closedown are set out at Appendix B to this report. The key dates for Members to note are:

- 14 February 2019 External Audit Plan and Accounting Policies and timetable approved;
- 18 March 2019 commencement for the interim audit;
- 20 May 2019 draft accounts submitted for Audit;
- 03 June 2019 as the provisional commencement for the final accounts audit;
- 24 June 2019 draft Audit Results Report;
- 04 July 2019 Special Audit Committee to approve and sign-off accounts; and
- 31 July 2019 final production and publication of the 2018/19 accounts.

ACCOUNTING JUDGEMENTS AND ASSUMPTIONS

11 A key part of the year-end closure process is to make clear any material judgements and assumptions made as part of the finalisation of the Accounts. Officers have made three key assumptions/judgements that Members should note and these are detailed in the following paragraphs.

12 Members of the Authority decided in February 2014 (Paper A/4181/14) that the main operational facilities should be run by a charitable trust. In addition it agreed in April 2014 (Paper A/4182/14) that additional non-sporting venues should also be transferred to the Trust. The contract for Lee Valley Leisure Trust Limited commenced on 1 April 2015. The Authority has reviewed its accounting policies (as set out in paragraph 2 above) with regards to any material interest it may have in the Trust, and the possible requirement to produce group accounts. The main considerations relate to whether the Authority has direct power to control the operations and activities of the Trust. It can be demonstrated under IFRS10 Consolidated Financial Statements and IFRS11 Joint Arrangements, as well as the Companies Act 2006 and both the Charities and CIPFA SORP that this is not the case, and therefore group accounts do not need to be prepared.

The Trust will produce their own set of accounting policies, assumptions, judgements, and statements in line with the relevant accounting guidelines for charities.

13 The Authority is required to revalue all its Operational Non-Current assets as a minimum every 5 years to ensure their carrying amount is not materially different from their fair value at year-end. In order to comply with accounting requirements, we have the 4 largest venues (Lee Valley White Water Centre, Lee Valley VeloPark, Lee Valley Hockey & Tennis Centre and Lee Valley Athletics Centre) valued every year, along with 25% of other assets in each interim year, and then all assets in year 5. The 2018/19 financial year represents the full year valuation, and we have instructed Montagu Evans (Chartered Surveyors) to conduct this review. The resulting valuations will ensure that all our non-current assets are held on the balance sheet at fair value as at 31 March 2019.

In addition to operational assets, we are required to review the carrying value of all investment properties (e.g. Three Mills Studio and UCI Cinema at Picketts Lock) each year. Montagu Evans will also conduct this valuation exercise.

14 Under its Land & Property Strategy the Authority has taken decisions to declare certain parts of its land portfolio as surplus to the Park's requirements. Where an asset has formally been approved as surplus by the full Authority it will be classified as a non-current asset for sale.

A non-current asset held for sale is measured at the lower of its carrying amount and its fair value less costs to sell. The carrying amount of the asset will be reduced, and a financing cost recognised in the Comprehensive Income and Expenditure Account where the amounts are material.

ENVIRONMENTAL IMPLICATIONS

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

FINANCIAL IMPLICATIONS

16 The fee agreed by Public Sector Audit Appointments Ltd (PSAA) and included by the External Auditor in the plan is £14,337 and can be met from the existing budget.

HUMAN RESOURCE IMPLICATIONS

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

LEGAL IMPLICATIONS

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

RISK MANAGEMENT IMPLICATIONS

19 There is a small risk, subject to the risks identified in the external auditors' plan, that the external auditor may require additional time to complete their work which may result in increased audit fees that are not currently budgeted for. To mitigate this risk officers will continue to maintain ongoing dialogue with the Auditor and ensure that the information provided meets with their expectation to minimise the potential for extra audit work as well as comply with the timetable as set out in this report. Any requests for additional fees will be discussed with the Authority. Any variation or rebase to the audit fee is also subject to discussion between the Authority and the Auditor and needs approval by PSAA.

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APPENDICES ATTACHED

Appendix A	Full Accounting Policies
Appendix B	Closedown Timetable

LIST OF ABBREVIATIONS

IFRS	International Financial Reporting Standards
CIPFA	Chartered Institute of Public Finance & Accounting
CRC	Carbon Reduction Commitment
TIA	Transport Infrastructure Assets
the Trust	Lee Valley Leisure Trust Ltd (trading as Vibrant Partnerships)
PSAA	Public Sector Audit Appointments Ltd

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STATEMENT OF ACCOUNTING POLICIES

General Principles

The Statement of Accounts summarises the Authority's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. These require the Statement of Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise of the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain assets.

Heritage Assets

Heritage assets are assets are held and maintained principally for their contribution to knowledge and culture and are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Provided that they meet this definition, heritage assets can include historic buildings, civic regalia, museum collections and works of art.

There is no carrying amount of assets on the Balance Sheet that will be reclassified as heritage assets. The Authority has a number of assets that were considered to fall under the definition of heritage assets that following review will continue to be classified as detailed below:

- Rye House Gatehouse, (Operational Asset)
- Monastic walls at Abbey gardens (Community Asset)
- The Old Mill at Broxbourne Meadows (Community Asset)

Accruals of expenditure and income

- Figures shown in the financial statements are based on the accruals concept, i.e. that income or expenditure is included in the year to which it relates irrespective of whether the Authority has actually received the income or incurred the expenditure.

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Cash and cash equivalents

Cash comprises cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours (deposits held at call) and bank overdrafts. Cash equivalents are short term, highly liquid investments with maturities of 3 months or less at acquisition, that are readily convertible to known amounts of cash. Cash equivalents are held to meet short term liquidity requirements and have an insignificant risk of changing value.

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

Contingent assets

Contingent assets are possible assets which arise from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the Authority's control.

In accordance with the Code, they are not recognised in the accounts, rather they are disclosed as a note to the accounts where the inflow of economic benefits or service potential is probable and can be reliably measured. Contingent assets are continually assessed to determine their position.

Contingent liabilities

Contingent liabilities are either:

a) Possible obligations arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the Authority's control, or

b) Present obligations arising from past events, but is not recognised because:

- It is not probable that a transfer of economic benefits will be required to settle the obligation, or
- The amount of the obligation cannot be measured with sufficient reliability.

In accordance with the Code, material contingent liabilities are not recognised within the accounts as an item of expenditure, rather, they are disclosed as a note to the accounting statements. Contingent liabilities are subject to a continual assessment to determine their position.

Employee benefits

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (eg cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority.

The code requires the Authority to make an accrual in its accounts at year end for any annual leave and flexible working entitlement earned but not taken by employees at the end of the financial year – to the extent that employees are permitted to carry forward annual leave and flexitime to the following year.

The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to surplus or deficit on the provision of services, but then reversed out through the movement in reserves statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring

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

Pension costs

The Authority participates in one scheme, the Local Government Superannuation Scheme, which is a defined benefit final salary scheme administered by the London Pension Fund Authority (LPFA). The LPFA is designated an 'administering Authority' within the Local Government Superannuation Regulations 1995. The LPFA maintains the fund and administers the terms of the scheme in respect of those who participate in it. The employers contributions is set by the Fund's actuary based on three-yearly actuarial valuations.

The liabilities of the pension fund attributable to the Authority are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

The assets of the pension fund attributable to the Authority are included in the balance sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value

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

Service cost

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the comprehensive income and expenditure statement to the services for which the employees worked

- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the surplus or deficit on the provision of services in the comprehensive income and expenditure statement as part of non distributed costs

- interest cost – net interest on the net defined benefit liability (asset), ie net interest expense for the Authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the financing and investment income and expenditure line of the comprehensive income and expenditure statement

Remeasurements

- the return on plan assets – the annual investment return on the fund assets attributable to the Authority, excluding amounts included in net interest on the net defined liability (asset) – charged to the pensions reserve as other comprehensive income and expenditure

- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the pensions reserve as other comprehensive income and expenditure

Contributions

- contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Events after the balance sheet date

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events

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

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

Exceptional items

Where material income or expenditure transactions have occurred during the financial year their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

Prior period adjustments

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Financial instruments

Financial liabilities are recognised on the balance sheet when the Authority becomes party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Financial liabilities are derecognised when the liability has been discharged, that is, the liability has been paid or has expired.

Annual charges to the financing and investment income and expenditure line in the comprehensive income and expenditure statement for interest payable are based on carrying amount of the liability, multiplied by the effective rate of interest. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the borrowing to the amount at which it was originally recognised.

The Authority does not currently have any borrowing, but it is likely that for any future borrowing, this will mean that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains or losses on the repurchase or early settlement of borrowing are credited and debited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement in the year of repurchase or settlement.

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

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI) [separate accounting policy is required where an Authority holds financial instruments at fair value through other comprehensive income].

The Authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost.

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the

Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Government grants and other contributions

Under International Financial Reporting Standards, all such grants are to be treated as revenue income as soon as any conditions relating to the grant have been met. Where capital grants are credited to the comprehensive income and expenditure statement, they are reversed out of the general fund balance in the movement in reserves statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the capital grants unapplied reserve. Where it has been applied, it is posted to the capital adjustment account. Amounts in the capital grants unapplied reserve are transferred to the capital adjustment account once they have been applied to fund capital expenditure.

Inventories

The Authority values stock and stores at the lower of actual costs and net realisable value, after allowing for obsolescent items. Operational facilities count their shop and café stocks then value them at historic cost price.

Investment properties

Under the Code, an investment property is defined as a property which is held exclusively for revenue generation or for the capital gains that the asset is expected to generate. In this respect, the asset is not used directly to deliver the Authority's services.

Investment properties are initially measured at cost and thereafter at fair value.

Properties are not depreciated but are re-valued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the financing and investment income and expenditure line in the comprehensive income and expenditure statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the financing and investment income line and result in a gain for the general fund balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the general fund balance. The gains and losses are therefore reversed out of the general fund balance in the movement in reserves statement and posted to the capital adjustment account and (for any sale proceeds greater than £10,000) the capital receipts reserve.

Leases

Leases can be classified as either finance or operating leases. If a lease transfers substantially all the risks and rewards incidental to ownership it will be classified as a finance lease regardless of its legal form.

For assets leased under a finance lease, a debtor or creditor should be recognised at the lower of fair value of the asset and present value of the minimum lease payments as appropriate and the annual payments consist of an amount of interest plus an amount to clear the relevant debtor or creditor.

Leases that do not meet the definition of finance leases are accounted for as operating leases and the income or expenditure is either credited, or charged to, service revenue accounts on a straight-line basis over the term of the lease.

Under the Code, the land and buildings elements of a lease of land and buildings require separate identification for both lease classification and subsequent valuation. In most cases, the land element of a lease will be an operating lease.

a. The Authority as Lessee

Finance Lease

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the

Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

The Authority is not required to raise the levy to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg if there is a rent-free period at the commencement of the lease).

b. The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve. The written-off value of disposals is not a charge against the levy, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund in the Balance in the Movement in Reserves Statement.

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Non-current assets held for sale

The following criteria have to be met before an asset can be classified as held for sale under this section of the code:

- The asset (or disposal group) must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets (or disposal groups).
- The sale must be highly probable; the appropriate level of management must be committed to a plan to sell the asset (or disposal group) and an active programme to locate a buyer and complete the plan must have been initiated.
- The asset (or disposal group) must be actively marketed for a sale at a price that is reasonable in relation to its current fair value.
- The sale should be expected to qualify for recognition as a completed sale within one year of the date of classification and action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

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

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

Property, plant and equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment. The Authority generally applies a de-minimus level of £10,000 for the purposes of capital expenditure. In the case where the individual value of an item, e.g. computer is below the de-minimus level , but the aggregate value of similar items purchased in the year exceed the de-minimus level the expenditure may be treated as capital expenditure.

Recognition

All expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment (PPE) is capitalised on the accruals basis in the accounts, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Non-current assets are valued on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by the RICS.

The capital value of any work the Authority undertakes on towpaths is included in the balance sheet as an asset, even though the Authority does not usually own them. Agreements are in place with British Waterways, which allow public access to the towpaths and continuing use of the related facilities.

Surpluses arising on the initial valuation of non-current assets are credited to the revaluation reserve. PPE are re-valued every five years, but adjustments to the valuations are made in the interim to take account of significant changes as they occur. This year a partial revaluation has been commissioned and is reflected in these statements.

Capital expenditure that does not result in the acquisition of an asset is classified as 'revenue expenditure funded from capital under statute (formally deferred charges), and is written out to revenue in the year in which it is incurred.

The Authority accounts for its income from the disposal of PPE on an accruals basis. It is held in a usable capital receipts reserve that can be used to finance new capital expenditure.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction. The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (ie it will not lead to a variation in the cashflows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account.

Where gains are credited to the Comprehensive Income and Expenditure Statement, they a re-reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement..

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. The Authority has assets that are identified as specialised. These include:

- Lee Valley Ice Centre – an ice rink, with ancillary facilities; a steel frame building, clad in corrugated sheeting; and
- Rye House Gatehouse – a listed ancient monument, constructed in 1443, which the Authority uses as a museum.
- Lee Valley Velodrome – the London 2012 Olympic Velodrome
- Lee Valley White Water Centre - the London 2012 Olympic White Water Centre
- Lee Valley Athletics Centre - the pre-Olympic elite athletes indoor/outdoor training centre.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for by:

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

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

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

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service lines in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Component accounting

Where components of an asset are significant in value in relation to the total value of the asset as a whole, and they have substantially different economic lives, they should be recognised separately. For example, certain assets such as the White Water Centre are made up of separate elements that have different useful lives.

There has been no requirement to apply these changes retrospectively and instead components are recognised separately as and when they are replaced.

Depreciation and useful economic life

Depreciation is provided for on the 'building' element of all non-current assets with a finite useful life, except investment and community assets. We calculate it using the reducing balance method.

Non-current assets are not depreciated in the year of acquisition.

PPE have a useful economic life, which is determined by the class of asset. Depreciation is calculated on this life except in the case of investment properties that are not depreciated.

Asset class	**Useful economic life**
Land and buildings	5 - 60 years
Vehicles, plant and machinery	5 -15 years
Infrastructure assets	10 - 40 years
Community assets	n/a

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Charges to Revenue for Non-Current Assets

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

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

The Authority is not required to raise its levy to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement (equal to either an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance (England and Wales)).

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision or loans fund principal), by way of an adjusting transaction within the Capital Adjustment Account and in the Movement in Reserves Statement for the difference between the two.

Revenue expenditure funded from capital under statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of Property, Plant and Equipment has been charged as expenditure to the relevant service in the comprehensive income and expenditure statement in the year. It is the Authority's policy to write off the value of revenue expenditure funded from capital under statute to services and reflect them in the comprehensive income and expenditure statement in the year they arise. The movement in reserves statement will then reflect a transfer from the general fund balance to the capital adjustment account so that there is no impact on the levy.

Provisions

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

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

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

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

Reserves

The current system of local Authority capital accounting requires three capital reserve accounts to be set up in the balance sheet:

- The revaluation reserve records the accumulated gains on the non current assets held by the Authority arising from increases in value as a result of inflation or other factors.
- Capital adjustment account shows amounts set aside from revenue resources or capital receipts to finance expenditure on PPE or the repayment of external loans and certain other capital financing transactions.
- The usable capital receipts reserve, which contains the unused proceeds arising from disposing of assets that can

be used to finance future capital expenditure.

Reserves include earmarked reserves set aside for specific policy purposes and balances which represent resources set aside for purposes such as general contingencies and cash flow management, as well as other unusable reserves such as employee benefits, that are kept to manage the accounting processes.

Earmarked revenue reserves

The Authority maintains renewal and repairs funds to replace equipment and for ongoing repairs to buildings or structures that we cannot fund in one year from service revenue budgets.

The Authority also has a capital fund, financed from contributions from the general fund, which can be used to finance future capital expenditure.

An insurance fund is maintained to self-insure certain risks. An example is storm damage to trees. The fund is also typically used to pay insurance policy excesses for claims against us by third parties. The services are charged with the any excess or claim and we adjust the fund balance by a transfer to or from the general fund.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to be reflected in the Surplus or Deficit on the Provision of Services in the comprehensive income and expenditure statement. The reserve is then transferred back into the General Fund balance so that there is no net charge to taxpayers.

Value added tax

The figures in the statements are net of VAT.

Provision for bad & doubtful debts

All amounts outstanding on the sales ledger are reviewed to establish the likelihood of their recovery. Where debt is proving to be difficult to recover we create a provision for it. If that debt is then paid the provision is reversed, should the debt ultimately prove irrecoverable it will be written off against the provision.

Biological Assets

Under IAS41 Agriculture, living animals or plants are classified as biological assets, and agricultural produce is the harvested product of the entity's biological asset. A biological asset, or an item of agricultural produce, is classified as an asset when it is both controlled by, and future economic benefit will flow to, an entity, and that its fair value can be measured reliably.

The Authority operates a working dairy farm, with its dairy cattle classified as biological assets, and the milk produced as agricultural produce.

The Authority uses an independent specialist agricultural stock valuer to establish the values its biological assets at the balance sheet date using the fair value method as and active market exists and a value can be reliably measured. Changes in the fair value are credited to the financing and investment income line and result in a gain for the general fund balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the general fund balance. The gains and losses are therefore reversed out of the general fund balance in the movement in reserves statement and posted to the capital adjustment account.

Group Accounts

The Statement of Recommended Practice requires local authorities to consider all their interests in subsidiaries, associated companies and joint ventures and to prepare a full set of group financial statements where they have material interests, thereby providing a complete picture of the Authority's control over other entities.

From 1 April 2015, the Authority entered into a Leisure Services Contract with the Lee Valley Leisure Trust Limited (Vibrant Partnerships) to run the main leisure facilities owned by the Authority. Whilst the Authority is able to appoint up to three members to the board of the Trust, it does not have direct power to influence the operations and activities of the Trust. Therefore, the Authority has determined that it has no interests in subsidiaries, associates or joint ventures of a material nature, and is not required to prepare group accounts.

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Lee Valley Regional Park Authority
Final Accounts Closure 2018/19
Closedown Timetable

Appendix B to Paper AUD/95/19

Date	Task	Contact	Contact2	Comments
Wed 30/01/2019	Meeting with Ernst & Young (Authority Auditor)	SS / KK	EY	Audit Plan Meeting
	Review Accounting Policies and Assumptions	SS / KK		
	Review Guidance Notes	KK		
Fri 01/02/2019	Draft Instructions Issued to Valuers	SS	ME	
Tue 05/02/2019	Final Accounts Workshop	KK	EY	More Place, London
Wed 06/02/2019	Revenue Outturn P10/2019	KK		
	Capital Outturn P10/2019	KK		
Mon 11/02/2019	Issue Instruction to Pension Valuers	SS		
Thu 14/02/2019	Audit Committee (Authority)	SS / KK	EY	Accounting Policies & Assumptions / Audit Plan
	Executive Committee (Authority)	SS		Q3 Revenue Outturn
Fri 15/02/2019	Review of Authority assumptions re Group Accounts	SS / KK		Review guidance and submit to EY
Thu 28/02/2019	Review Financial Statements Templates	KK		
Fri 01/03/2019	Circulate Members Declarations	SB		
	Circulate Related Party Transactions memo	PK		
	Issue Guidance Procedures for Financial Year End	KK / MK / SS		
	Issue Guidance Procedures for New Year	KK / MK / SS		
Wed 06/03/2019	Revenue Outturn P11/2019	KK / MK		
	Capital Outturn P11/2019	KK / MK		
Thu 14/03/2019	Write off Meeting	SS / KK / LR / JP		
Fri 15/03/2019	Draft Governance Report	SS	EY	Copy to SD/BF to review
	Draft Narrative Statement	SS	EY	Copy to SD/BF to review
	Draft Statement of Responsibilities	SS	EY	Copy to SD/BF to review
Mon 18/03/2019	Interim Audit (Authority)		EY	
Tue 19/03/2019	Interim Audit (Authority)		EY	
Wed 20/03/2019	Interim Audit (Authority)		EY	
Thu 21/03/2019	Executive Committee (Authority)	SS		
	Interim Audit (Authority)		EY	
	Return of Holiday Statements	All Employees		
Fri 22/03/2019	Interim Audit (Authority)		EY	
	Minutes of Write off Meeting	LR		
Mon 25/03/2019	Interim Audit (Authority)		EY	
Tue 26/03/2019	Interim Audit (Authority)		EY	
Wed 27/03/2019	Interim Audit (Authority)		EY	
Thu 28/03/2019	Interim Audit (Authority)		EY	
Fri 29/03/2019	Insurance Suspense Cleared [6861]	KK / LR		
	Interim Audit (Authority)		EY	
	Provision for Bad Debts posted	KK		
	Reconcile Ride To Work Scheme codes	KK		
	Reconcile Season Ticket Loans	KK		
	Review Finance Leases	KK		
	Service Tenancies charged to services	KK / MW		
Sun 31/03/2019	Aged Creditors listing produced	KK		
	Aged Debtors listing produced	KK		
Mon 01/04/2019	Fixed Assets Impairment Review	SS / KK / MW	ME	
Fri 05/04/2019	All notified Debtors by 31/03 Raised on Sales Ledger	JP / TG		
	All other deposits reconciled	MK		
	All Weekly Returns Posted to Old Year	JS / TG		
	Deadline for receipt of all Creditor/Debtor/PIA/RIA Sheets	All		
	Inland revenue payment, Payroll	LR		
	Interest accrual - Investments	KK		
	Key Deposits reconciled	MK		No Key Deposits held by Authority
	Livery Deposits reconciled	MK		No Livery Deposits held by Authority
	Mooring Deposits reconciled	MK		No Mooring Deposits held by Authority
	PAYE and NI suspense cleared	LR		
	Payroll P35 Agreed	LR		
	Review of SLA Overhead Apportionment	KK		
	Review Outstanding Orders Listings	All		
	Superannuation reconciled	LR		
Wed 10/04/2019	Last day for invoices (M12) on Payments System	JS / DR		
	Petty Cash Returns Posted	DR		
	Stock Adjustments Posted	KK		
Fri 12/04/2019	Cash balances at 31 Mar agreed and reconciled	MK		
	Deadline for input of all Creditor Sheets	MK		
	Insurance Fund Reconciled	KK		
	Revenue Outturn P12/2019	KK / MK		to 31/03/2018
	Capital Outturn P12/2019	KK / MK		to 31/03/2018
Fri 19/04/2019	All Creditors Reviewed	KK		
	All Debtors Reviewed	KK		
	All PIA Reviewed	KK		
	All RIA Reviewed	KK		
	Capital Fund Reconciled	KK		
	Common Services - Agree account and divide charges	KK		
	Contr in lieu Interest put to Funds	KK		

Lee Valley Regional Park Authority

Final Accounts Closure 2018/19

Closedown Timetable

Date	Task	Contact	Contact2	Comments
Fri 19/04/2019	Posting of Employee Benefits c/fwd	KK		
	Purchase Ledger Creditors Reconciled	JS / MK / KK		
	Renewals Fund Reconciled	KK		
	Repairs Fund Reconciled	KK		
	Review of Deposit Codes after Year End Posting	KK / MK		
	Review Pension Valuation From Actuaries	SS / KK		
Thu 25/04/2019	Authority (Authority)	SS		Write Offs
	Executive Committee (Authority)	SS		
	Members Declarations Returned	SB		
Fri 26/04/2019	Debt w/o on System	KK		After Authority Committee
	Post Pension Transactions	KK		
Tue 30/04/2019	Confirm all Pd 12, 13, 01 payments in correct year	MK / KK		
Wed 01/05/2019	Interim Provisional Outturn to MT	KK / MK		
	VAT Patial Exemption Calculation	KK		
	VAT Return complete, and Accounts Reconciled	KK		
	Revenue Outturn P13/2019 Draft	KK / MK		
	Capital Outturn P13/2019 Draft	KK / MK		
Fri 03/05/2019	Provisional Treasury Management Review (Draft)	SS / KK		
Wed 08/05/2019	Run and Post Depreciation	KK		
Thu 09/05/2019	Provisional Outturn Capital Report (Draft)	KK / SS		
	Provisional Outturn Revenue Report (Draft)	KK / SS		
Fri 10/05/2019	Agree all closing/opening balances	KK / MK		
	All Revenue Accounts checked	KK		
	Non Current Assets Reconciled	KK		
	Post Impairments to Non Current Assets	KK		
	Post Revaluations to Non Current Assets	KK		
Fri 17/05/2019	Data Analytics (Q4) to E&Y	KK		TBC
	Glossary	KK		
	Narrative Report	KK		
	Production of Core Statements	KK		
	Production of Supporting Notes	KK		
	Review Draft Figures for MT	KK / SS		
	Variance Analysis report	KK		
Mon 20/05/2019	Draft accounts submitted for audit	SS / KK	EY	
	Publication of draft unaudited accounts	SS / KK		
	Publication of Notice of Commencement of Period of Exercise of Publis Rights	KK		
Tue 21/05/2019	Start of Period for the Exercise of Public Rights	SS		Thirty working days from here
Thu 23/05/2019	Executive Committee (Authority)	SS		Q4 Revenue Outturn
Fri 24/05/2019	Management Review of Working Papers	SS		
Mon 03/06/2019	Final Accounts Audit (Authority)		EY	
Tue 04/06/2019	Final Accounts Audit (Authority)		EY	
Wed 05/06/2019	Final Accounts Audit (Authority)		EY	
Thu 06/06/2019	Final Accounts Audit (Authority)		EY	
Fri 07/06/2019	Final Accounts Audit (Authority)		EY	
Mon 10/06/2019	Final Accounts Audit (Authority)		EY	
Tue 11/06/2019	Final Accounts Audit (Authority)		EY	
Wed 12/06/2019	Final Accounts Audit (Authority)		EY	
Thu 13/06/2019	Final Accounts Audit (Authority)		EY	
Fri 14/06/2019	Final Accounts Audit (Authority)		EY	
Thu 20/06/2019	Audit Committee (Authority)	SS		Unaudited Final Accounts (To Note)
	Executive Committee (Authority)	SS		
Mon 24/06/2019	Conclusion of Authority audit & issue of draft Audit Report		EY	
Thu 27/06/2019	Covering Final Accounts Report	SS / KK		
Tue 02/07/2019	End of Period for the Exercise of Public Rights	SS		To end before Audit Committee on 4 July
Thu 04/07/2019	Audit Committee (Authority)	SS	EY	Audited Final Accounts/Audit Report
Wed 31/07/2019	Statutory Deadline for Publication of Fnancial Statements			Audited Financial Statements

Lee Valley Regional Park Authority **LEE VALLEY REGIONAL PARK AUTHORITY** **AUDIT COMMITTEE** **14 FEBRUARY 2019 AT 12:30**	**Agenda Item No:** **6** **Report No:** **AUD/96/19**

EXTERNAL AUDIT 2018/19 - AUDIT PLAN

Presented by the Director of Finance & Resources

SUMMARY

As part of the 2018/19 audit the Authority's external auditors (Ernst & Young) undertake an interim audit and produce a plan to cover the end of year audit 2018/19. Sections 1 and 2 of this plan are attached at Appendix A to this report with a full plan available in the committee office or available electronically if Members require.

The auditor's intention is to undertake a fully substantive audit which will review and report on the financial statements as well as arrangements for securing economy, efficiency and effectiveness in the use of resources. As in previous years it will include a review of the work of the internal auditors, including audit plans and reports, together with reports from any other work completed in the year. The plan also covers other mandatory audit procedures required by auditing standards as well as the financial statements and value for money risks.

Materiality is assessed in two ways:

- planning materiality has been set at £4.74m, which represents 2% of the prior year total non-current assets; and
- as specific materiality of £396,000 based on the Authority's gross revenue income/expenditure where they impact on the levy. The auditor will communicate uncorrected audit misstatements greater than £237,000 to this committee.

The auditor uses this basis of materiality to reflect the fact that the main focus of the users of the accounts has been assessed to be the Authority's stewardship of the assets, rather than the services provided, as services are now largely provided by the Lee Valley Leisure Trust Ltd. They have therefore based materiality on total non-current assets rather than the gross cost of services.

The plan also highlights any potential risks for producing the financial statements and sets out the auditor's process, strategy and timetable.

The plan sets out the fee for 2018/19 (£14,337) and this is lower than that charged in 2017/18 (£18,619).

RECOMMENDATIONS

Members Note:

(1) the External Auditors' Audit Plan for 2018/19 (Sections 1 and 2) attached at Appendix A to this report; and

(2) the proposed annual audit fee for 2018/19 as set out in in the financial implications.

BACKGROUND

1 The role of external audit is to provide an annual independent assessment of how the Authority is discharging its responsibility for the stewardship of public money.

The audit focusses not only on the financial statements but also on Value For Money, particularly in relation to the budget, levy and key projects, for example the Leisure Services Contract procurement.

The Auditors' conclusions are reported in their annual Audit Results Report later in the year following the Final Accounts Audit in the summer. This Plan summarises their work to date and highlights risks which may arise during the course of the annual audit.

2 Preceding this preliminary audit work is carried out to assess the Authority's arrangements for ensuring the proper conduct of its financial affairs. The auditor has provided for this within the plan.

AUDIT PLAN 2018/19

3 Sections 1, 2 and 3 of the Audit Plan for 2018/19 are attached at Appendix A to this report - a full plan is available in the committee office and has been made available electronically for Members. The Auditors will commence their interim work from 18 March 2019 and this will be reported with the Final Accounts audit work (commencing 03 June 2019) as part of the annual Audit Results Report.

4 The proposed fee for 2018/19 is £14,337 which is lower than that charged in 2017/18 (£18,619). However, the proposed fee may not cover for the specific audit risks identified in section 2 (page 2) of the Plan which highlights potential risks that may impact upon the completion of the annual audit.

ENVIRONMENTAL IMPLICATIONS

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

EQUALITY IMPLICATIONS

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

FINANCIAL IMPLICATIONS

7 The fee to be charged by the External Auditor in 2018/19 is £14,337 and is lower than that charged in 2017/18 (£18,619).

8 This fee estimate does not include for any additional costs resulting from the specific audit risks identified in section 2 of the Plan. Officers believe the existing budget for the External Audit should be sufficient unless a material additional risk arises and therefore impacts upon the standard fee. Members will be kept appraised of this during the Audit and any potential variation will be reported to this Committee and the Executive Committee as part of the regular revenue budget monitoring.

HUMAN RESOURCE IMPLICATIONS

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

LEGAL IMPLICATIONS

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

RISK MANAGEMENT IMPLICATIONS

11 There are no risk management implications arising directly from the recommendations in this report although the audit plan does highlight financial statement risks that potentially could impact on the Audit and subsequently impact on the final fee.

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PREVIOUS COMMITTEE REPORTS

Audit Committee	AUD/93/18	External Auditor's Audit Results Report – 2017/18 Accounts	5 July 2018

APPENDIX ATTACHED

Appendix A Sections 1, 2 and 3 of the Audit Plan 2018/19

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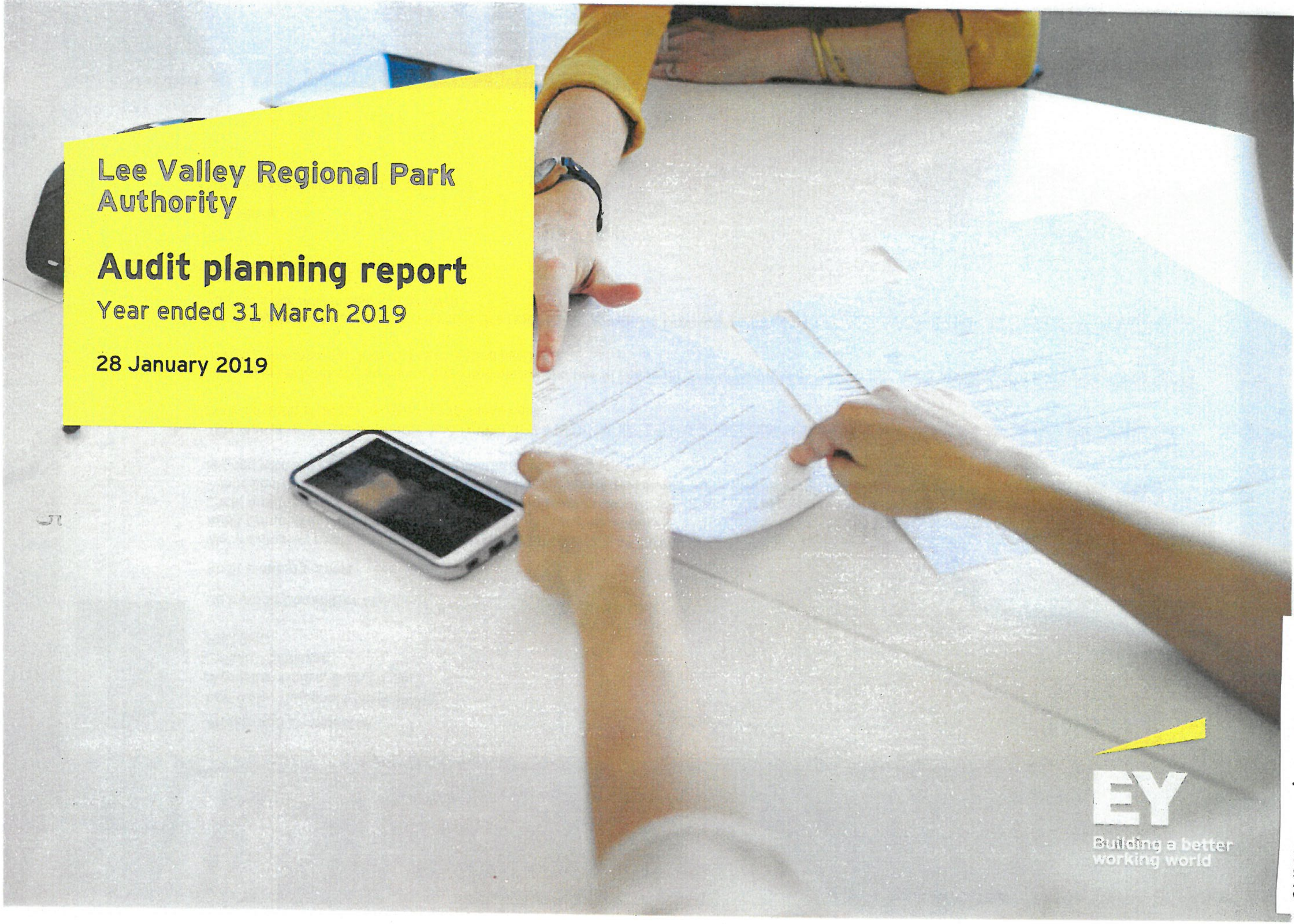
Appendix A to Paper AUD/96/19



Lee Valley Regional Park Authority

Audit planning report

Year ended 31 March 2019

28 January 2019

EY

Building a better working world

5

Private and Confidential

28 January 2019

Lee Valley Regional Park Authority,
Myddelton House, Bulls Cross,
Enfield, Middlesex
EN2 9HG

Dear Audit Committee Members

Audit planning report

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2018/19 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Authority , and outlines our planned audit strategy in response to those risks.

This report is intended solely for the information and use of the Audit Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

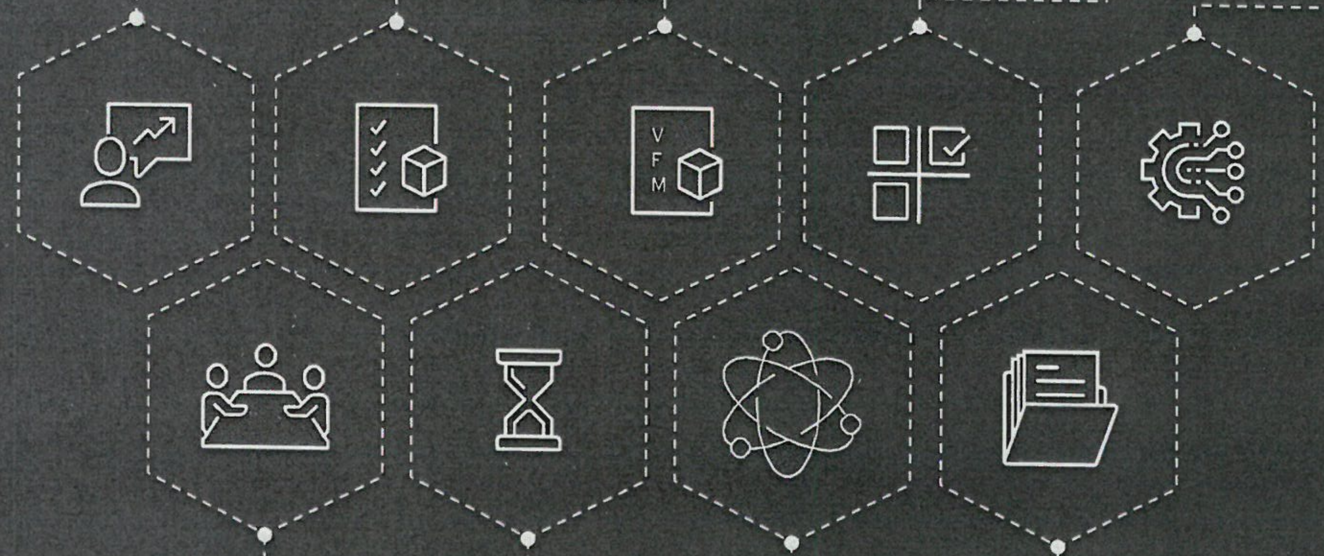
We welcome the opportunity to discuss this report with you on 14 February 2019 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Neil Harris

For and on behalf of Ernst & Young LLP

Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/).The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.
The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.
This report is made solely to the Audit Committee and management of Lee Valley Regional Park Authority in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and management of Lee Valley Regional Park Authority those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of Lee Valley Regional Park Authority for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

01 Overview of our 2018/19 audit strategy

Overview of our 2018/19 audit strategy

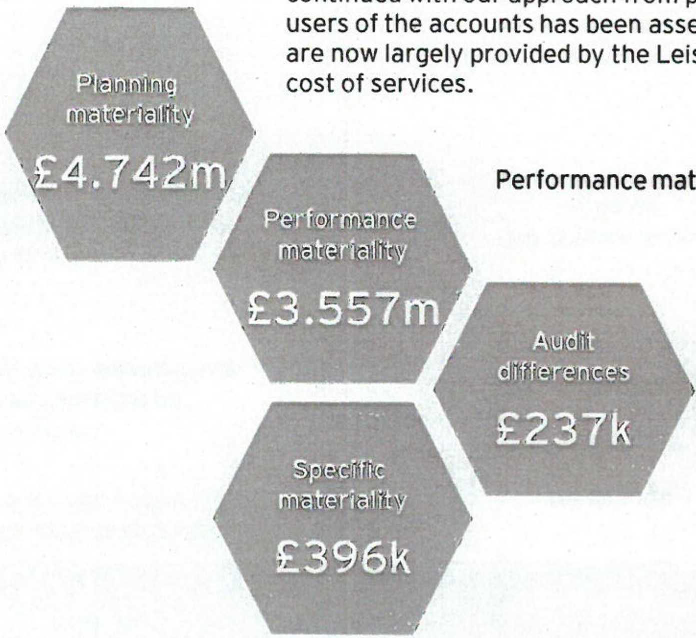
The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit and Risk Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud risk	**No change**	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
Incorrect capitalisation of revenue expenditure	Fraud risk	**New area of focus**	Linking to our fraud risk above we have considered the capitalisation of revenue expenditure on property, plant and equipment as a separate risk, given the extent of the Authority 's capital programme.
Valuation of Property, plant and equipment (PPE)	Significant risk	**No change in risk of focus**	Property, plant and equipment (PPE) represents a significant balance of some £226 million in the Authority's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Material judgemental inputs and estimation techniques are required to calculate the year-end PPE balances held in the balance sheet. As the outputs from the valuer are subject to estimation, there is a higher inherent risk PPE may be under/overstated or the associated accounting entries incorrectly posted.
Pension Valuation and Disclosures	Inherent risk	**No change in risk or focus**	The Local Authority Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body. The Authority's current pension fund deficit is a highly material and sensitive item and the Code requires that this liability be disclosed on the Authority's balance sheet. The information disclosed is based on the IAS 19 report issued to the Authority by the actuary. As with other authorities, accounting for this scheme involves significant estimation and judgement and due to the nature, volume and size of the transactions we consider this to be an inherent risk.
New Accounting Standards	Inherent risk	**New risk identified this year.**	IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from contracts) apply from 1 April 2018. We will assess the impact of these new standards to determine whether they have been appropriately implemented by the Authority .

Overview of our 2017/18 audit strategy

Materiality



Planning materiality has been set at £4.74m (£4.7m in 17/18), which represents 2% of the prior year total non current assets. We have continued with our approach from prior year, where the basis on which we set materiality reflects the fact that the main focus of the users of the accounts has been assessed to be the Authority's stewardship of the assets, rather than the services provided, as services are now largely provided by the Leisure Trust. We have therefore based materiality on total non current assets rather than the gross cost of services.

Performance materiality has been set at £3.56m (£3.3m 17/18), which represents 75% of materiality.

We will report all audit differences, that are uncorrected, relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement) greater than £237k (£220k in 17/18) to the Audit Committee. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit Committee as Those Charged with Governance.

We have set specific a materiality of £0.396m (£0.358m in 1718) for those items in the Comprehensive Income and Expenditure Statement which impact on the levy. This includes income and expenditure in the net cost of services, financing and investment income and expenditure and non specific grant income. We have also set a specific materiality for officer remuneration disclosures, members allowances and exit packages. This reflects our understanding that an amount less than our above materiality, based on assets, would influence the economic decisions of users of the financial statements in relation to these items.

Overview of our 2017/18 audit strategy

Value for money conclusion

We have completed our value for money risk assessment against the overall criteria that: *In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people*

We have considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. Our risk assessment at planning stage has identified two significant risks to our value for money conclusion. These are

(1) Delivery of a robust Medium Term Financial Plan, and (2) Commercialisation decisions to generate income and maximise the return from assets

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of Lee Valley Regional Park Authority give a true and fair view of the financial position as at 31 March 2019 and of the income and expenditure for the year then ended; and
- Our conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Authority's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards. When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Authority.

Audit team

Our audit team.

Neil Harris - Associate Partner
Neil has over 25 years experience of Local Authorities, Pension Funds and their respective audits, and has been an Engagement Leader in EY for six years, having previously worked for the Audit Commission as a District Auditor between 2009 and 2012.

Justine Thorpe, Manager
Justine is a Manager within the UK&I Assurance practice, with over 20 years experience of UK LG audits. She is a member of CIPFA (Chartered Institute of Public Accountancy) and will be the key contact for your Finance Team.

02 Audit risks

Audit risks

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Misstatements due to fraud or error

Financial statement impact

Misstatements that occur in relation to the risk of fraud in revenue and expenditure recognition could affect the classification of revenue spend as capital and the Income and expenditure accounts.

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

For local authorities, the potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of fraud in revenue recognition. We will undertake specific testing to address this risk.

What will we do?

Our approach will focus on:

- testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- reviewing accounting estimates for evidence of management bias;
- evaluating the business rationale for significant unusual transactions; and
- review capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.

Our response to significant risks (continued)

Incorrect capitalisation of revenue expenditure*

What is the risk?

Linking to our risk of misstatements due to fraud and error above, we have considered the capitalisation of revenue expenditure on property, plant and equipment as a specific area of risk given the extent of the Council's capital programme which is significant for 2018/19.

What will we do?

Should capital expenditure be material to the financial statements, we will undertake additional procedures to address the specific risk we have identified, which will include:

- Sample testing additions to property, plant and equipment to ensure that they have been correctly classified as capital and included at the correct value in order to identify any revenue items that have been inappropriately capitalised.

Our response to significant risks

Valuation of Property, plant and equipment (PPE)

Financial statement impact

We focused on aspects of the land and buildings and Investment Property valuation which could have a
material impact on the financial statements, primarily:
- significant changes in the asset base;
- the assumptions and estimates used to calculate the valuation; and
- changes to the basis for valuing the assets.

What is the risk?

Property, plant and equipment (PPE) and investment property (IP) represent significant balances in the Authority's accounts and are subject to valuation changes, impairment reviews and/or depreciation charges. The PPE and IP values in the Balance Sheet are shown below:

Asset type	Value at 31 March 2018 (£m)
PPE:	
• Land and buildings	185.95
• Vehicles, plant and equipment	3.864
• Infrastructure	2.062
• Community assets	34.464
Total PPE	**226.34**
Total IP	**5.176**

Given the size of the Authority's portfolio, significant judgemental inputs and estimation techniques are required to calculate the year-end asset values held in the balance sheet.

As the Authority's asset base is significant, and the outputs from the valuer are subject to estimation, there is a higher inherent risk individual asset values may be under or overstated or the associated accounting entries incorrectly posted. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying estimates. We will consider engaging experts from our EY Real Estates team to support us on reviewing the assumptions underpinning the valuation of any harder to value specialist assets.

What will we do?

Our approach will focus on:

- considering the work performed by the Authority's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- sample testing key asset information and assumptions used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- considering the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for IP. We also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- reviewing assets not subject to valuation in 2018/19 to confirm that the remaining asset base is not materially misstated;
- considered there have been no significant changes to useful economic lives as a result of the most recent valuation; and
- testing accounting entries have been correctly processed in the financial statements

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

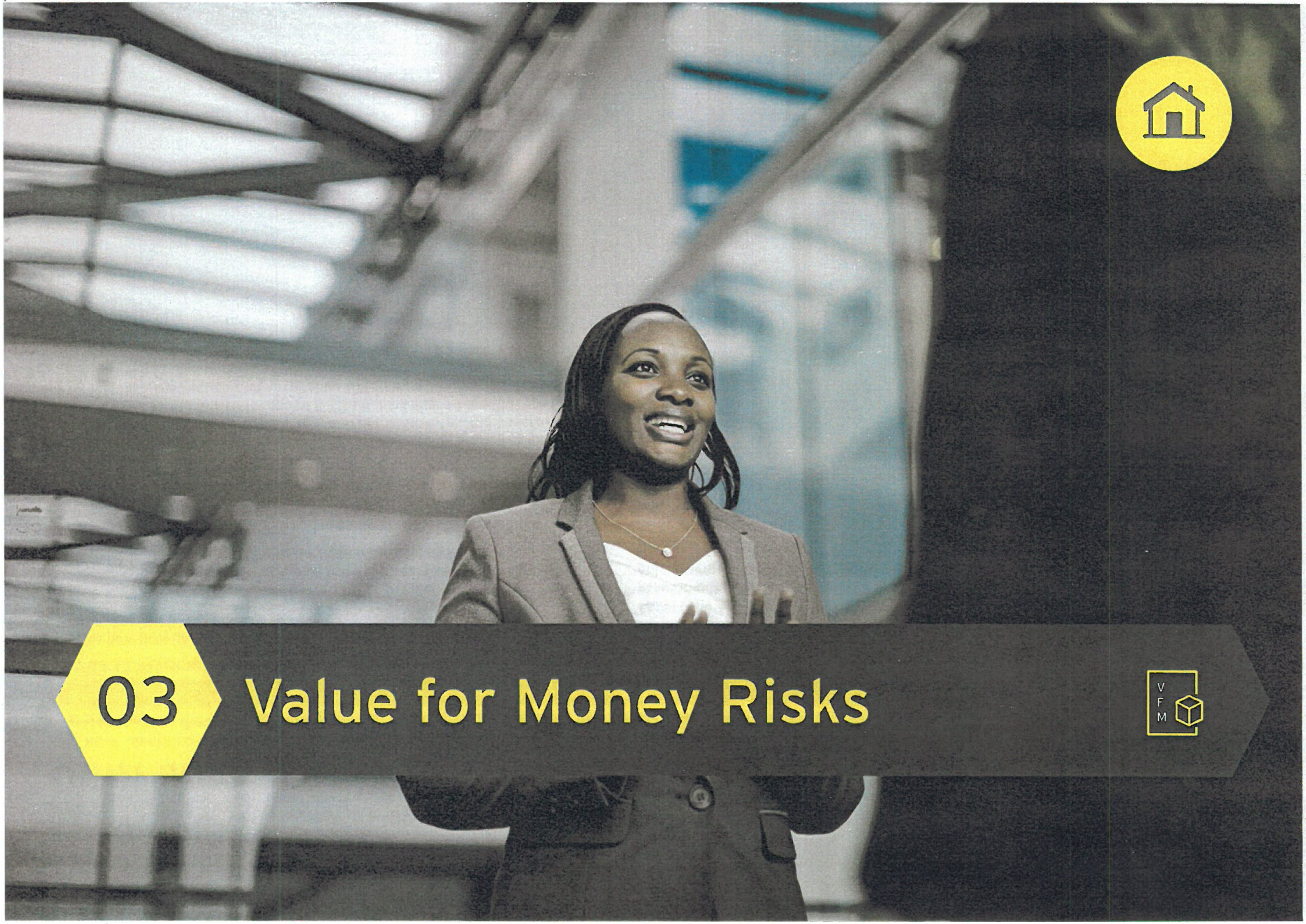
What is the risk/area of focus?	What will we do?
Pension Liability Valuation – inherent risk The Local Authority Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by the London Pension Fund Authority. The Authority's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Authority's balance sheet. At 31 March 2018 this totalled £29.9 million. The information disclosed is based on the IAS 19 report issued to the Authority by the actuary to the London Pension Fund Authority. Accounting for this scheme involves significant estimation and judgement. ISAs 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.	We will: ▸ Liaise with the auditors of London Pension Fund Authority, to obtain assurances over the information supplied to the actuary in relation to Lee Valley Regional Park Authority; ▸ Assess the work of the Pension Fund actuary (Barnett Waddingham) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and ▸ Review and test the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19.
IFRS 9 financial instruments – inherent risk This new accounting standard is applicable for local authority accounts from the 2018/19 financial year and will change: ▸ How financial assets are classified and measured; ▸ How the impairment of financial assets are calculated; and ▸ The disclosure requirements for financial assets. There are transitional arrangements within the standard; and the 2018/19 CIPFA Code of practice on local authority accounting provides guidance on the application of IFRS 9. However, until the Guidance Notes are issued and any statutory overrides are confirmed there remains some uncertainty on the accounting treatment.	We will: ▸ Assess the Authority 's implementation arrangements that should include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19; ▸ Consider the classification and valuation of financial instrument assets; ▸ Review new expected credit loss model impairment calculations for assets; and ▸ Check additional disclosure requirements.

Audit risks

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What will we do?
<u>IFRS 15 Revenue from contracts with customers – inherent risk</u> This new accounting standard is applicable for local authority accounts from the 2018/19 financial year. The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations. The 2018/19 CIPFA Code of practice on local authority accounting provides guidance on the application of IFRS 15 and includes a useful flow diagram and commentary on the main sources of LG revenue and how they should be recognised. The impact on local authority accounting is likely to be limited as large revenue streams like Authority tax, non domestic rates and government grants will be outside the scope of IFRS 15. However where that standard is relevant, the recognition of revenue will change and new disclosure requirements introduced.	We will: ▸ Assess the Authority 's implementation arrangements that should include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19. ▸ Consider application to the Authority 's revenue streams, and where the standard is relevant test to ensure revenue is recognised when (or as) it satisfies a performance obligation; and ▸ Check additional disclosure requirements.



03 Value for Money Risks

Value for Money

Background

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

For 2018/19 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

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

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

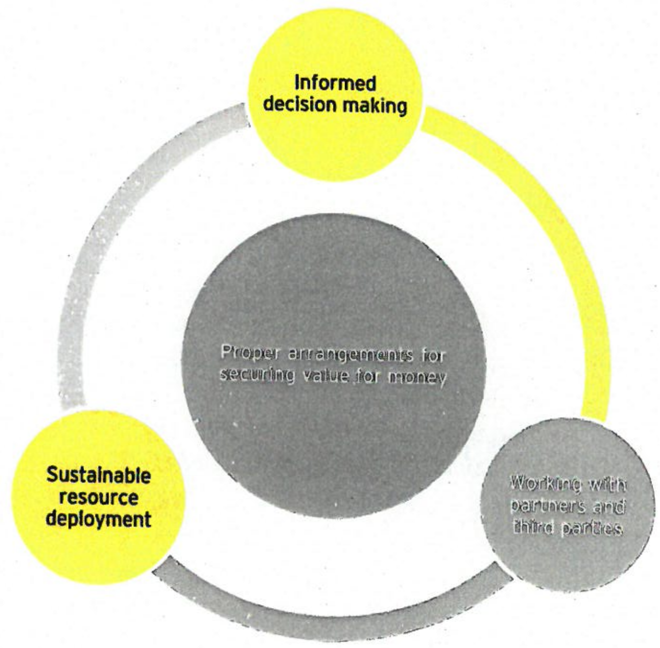
In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as: "A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work. We consider business and operational risks insofar as they relate to proper arrangements at both sector and organisation-specific level. In 2018/19 this has included consideration of the steps taken by the Authority to consider the impact of Brexit on its future service provision, medium-term financing and investment values. Although the precise impact cannot yet be modelled, we anticipate that Authorities will be carrying out scenario planning and that Brexit and its impact will feature on operational risk registers.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. This has resulted in the identification of the two following significant risks noted on the following pages which we view as relevant to our value for money conclusion:

- Delivery of a robust Medium Term Financial Plan
- Commercialisation decisions to generate income and maximise the return from assets



Value for Money Risks

What is the significant value for money risk?	What arrangements does the risk affect?	What will we do?

Delivery of a robust Medium Term Financial Plan

In the Authority's Medium Term Financial Plan (MTFP), reported to the Authority in January 2019, the Authority's balanced budget for 2018/19 includes the use of reserves of £302k for the 2018/19 financial year, as shown below. Reserves are forecast to be at £3.9 million at 31 March 2019, despite the Authority setting its minimum level of reserves at £4 million in January 2019.

	2018/19 (£000)	2019/20 (£000)	2020/21 (£000)	2021/22 (£000)	2022/23 (£000)
Projected budget	9,878	9,548	9,182	9,244	9,288
Proposed levy	(9,576)	(9,576)	(9,576)	(9,001)	(8,371)
Budget deficit / surplus	302	28	394	243	917
Savings	0	2	204	364	779
Revised budget	302	30	598	121	138
Reserves c/f	3,897	3,927	4,525	4,646	4,509

As the MTFP shows, the Authority has medium term plans in place to improve the Authority's financial sustainability and increase reserves to £4.5 million by the end of 2022/23, whilst also further reducing the reliance on the levy. The Authority's funding strategy includes:

1. Developing new income streams
2. Making efficiency savings
3. Maximising the return from its assets

We will review the robustness of the Authority's medium term financial planning and proposed funding strategy for its prudence and sustainability, affordability and practicality. We will also review the Authority's Capital Funding model and the impact of borrowing, if any, on the MTFP.

What arrangements does the risk affect?

Deploy resources in a sustainable manner

What will we do?

We will:

- assess the key assumptions made within the annual budget and the MTFP;
- review the progress made in identifying savings for 2019/20 and beyond;
- comment on the extent of borrowing for investments and borrowing overall;
- review the funding strategy for realistic income targets.
- review the Authority's Capital Funding model and the impact of borrowing, if any, on the MTFP.

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Value for Money Risks

What is the significant value for money risk?	What arrangements does the risk affect?	What will we do?
Commercialisation decisions to generate income and maximise the return from assets		
Whilst the nature of the Lee Valley Regional Park means that it requires some local authority funding, the Park is now recognised on the international stage and therefore the Authority aims to generate funding from new income streams and maximising its return from its Olympic legacy assets and its property portfolio. The Authority has plans to develop commercial and investment opportunities to increase its annual income targets so that it reduce its reliance on the levy from local Authorities. It is also moving from a service provider to more of an enabling organisation as it continues to develop new operation models for its services. A key development has been to outsource its sporting venues and some business support services in a five year contract to improve economy, efficiency and effectiveness. Major business developments currently underway are: • Development of the Lee Valley Ice Centre (circa £38 million project); • Picketts Lock Development (circa £40 million project), whereby LVRPA are the enabler and a third party takes on the financial risk; • Leisure Services Contract retender (circa £20 million); • Optimisation of assets through purchases and disposals identified by the Authority's Land and Property Strategy Working Group. We will review the Authority's Corporate Land and Property Strategy, adopted by the Authority in January 2017, and how this drives the Authority's approach to setting of service objectives, business planning and the proper stewardship of assets and the delivery of value for money. There are risks around the uncertainties of the timing of some of the income generation projects.	Informed decision making Working with third parties	We will review the: • underlying rationale for the proposed investments and clarity on how this sits with the Authority's strategy and objectives, including the consideration of options and alternatives; • legal powers and other advice obtained e.g. tax, investment decisions; • compliance with sections 46 and 47 of Statutory Guidance on Local Authority Investments and the Prudential Code; • clarity of governance arrangements for the Authority's decision making with regard to their regeneration and investment property decisions; • recognition and reporting of risks in the Corporate risk register; • robustness of assumptions from commercial developments in the Authority budget and medium term financial strategy; and • Authority's business planning process for undertaking commercial projects.

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04 Audit materiality

Lee Valley Regional Park Authority **LEE VALLEY REGIONAL PARK AUTHORITY** **AUDIT COMMITTEE** **14 FEBRUARY 2019 AT 12:30**	**Agenda Item No:** **7** **Report No:** **AUD/97/19**

RISK REGISTER 2018/19

Presented by the Director of Finance & Resources

SUMMARY

At each Audit Committee Members review the Risk Register for progress against existing actions and to ensure that the Risk Register remains relevant to deal with the corporate risks facing the organisation.

At the Audit Committee in June 2018 (Paper AUD/90/18) Members approved the updated risk management strategy and corporate risk register following the Risk Management Workshop held on 7 June 2018. This workshop analysed and reviewed the risk management strategy and corporate risk register in detail to ensure that this committee could proactively input into, manage and monitor the register going forward with up to date risks identified that are relevant to the Authority's business over the coming years.

The review of the risk management strategy and corporate risk register also assisted Members in their consideration and approval of the Annual Governance Statement as a key part of the financial statements for 2017/18. A robust risk management framework and register is one key element of the Annual Governance Statement and a source of assurance for Members in approving this statement year on year as part of the published accounts.

RECOMMENDATION

Members Approve (1) the Corporate Risk Register included at Appendix A and the sub-register at Appendix B of this report.

BACKGROUND

1 Risk management is one of the key internal controls for an organisation. 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 (AGS) (which is published with the financial statements).

2 Regulation 3 of the Accounts and Audit Regulations 2015 requires that:

" A relevant authority must ensure that it has a sound system of internal control which -

(a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
(b) ensures that the financial and operational management of the authority is effective; and
(c) includes effective arrangements for the management of risk."

In this context "relevant authority" is referring to Lee Valley Regional Park Authority.

3 Each financial year the relevant authority must –

(a) conduct a review of the effectiveness of the system of internal control required by regulation 3; and

(b) prepare an annual governance statement - this statement must be published together with the statement of accounts and the narrative statement in accordance with Regulation 10.

4 Assurance of the Authority's internal control system is derived through the work of the internal audit function (undertaken by Mazars for the Authority); and also through the monitoring of processes put in place by management and other external bodies including those around risk management and health & safety. This provides evidence which allows the Authority to form conclusions on the adequacy and effectiveness of the systems of internal control and also on the efficiency of operations.

5 Risk management is not solely a focus on the finances of the Authority. 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 other published information are accurate and reliable; and
- human, financial and other resources are managed efficiently and effectively.

6 The Authority approved a Risk Management Framework in April 2005 (Paper A/3798/05). The Risk Management Framework and more specifically the Risk Register was developed by Members and senior officers under the guidance of the internal auditors through a number of workshops and meetings. Members have regularly reviewed the register at each Audit Committee, adding in their own comments and improvements.

7 Since this time Members have consistently (and in depth) reviewed the Corporate Risk Register and revised the strategy, format, and content. The strategy has been revised and updated twice since 2005 at the Audit Committee (May 2010 Paper AUD/06/10 and June 2012 Paper AUD/30/12). The strategy has been reviewed again by officers and Members as part of the risk

management workshop and was formally approved by the Audit Committee in June 2018 (Paper AUD/90/18).

REVIEW OF THE STRATEGIC RISK REGISTER

8 The current Strategic Risk Register is reviewed by officers and Members on an on-going basis and signed off at each Audit Committee.

9 Members last considered the risk register at the Audit Committee in September 2018 (Paper AUD/94/18).

10 Since the September Committee officers have incorporated approved Member revisions, reviewed the register, considered potential new risks and the scoring. Notably a risk sub register was considered and agreed by the Leisure Services Contract (LSC) Working Group to give greater detail and management emphasis to managing the risks and actions in relation to the LSC Contract Retender (Strategic Risk SR9). This is attached as Appendix B to this report.

The table below sets out the movement in managing the residual risks and sets out a summary of the total notional score.

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Risk	Notional Residual Risks 21 June 2018	Notional Residual Risks 20 September 2018	Notional Residual Risks 14 February 2019
🔴	4	4	**3**
🟡	7	7	**9**
🟢	7	7	**7**
Total Risks	18	18	**19**
Notional Score	596	461	**495**

12 The key changes since the last review of the register was considered at Audit Committee are:

I. inclusion of a sub-register for the LSC Contract Retender (Strategic Risk SR9 – as described above);

II. movement in overall scoring for SR9 down from red to amber (40) due to the actions already implemented pre-procurement;

III. addition of a broader definition of SR10 re land disposals as requested by Members at the last committee and the potential risk of sales within the Green Belt; and

IV. proposed inclusion of new corporate risk relating to the potential impact (positive or negative) of Brexit on the Authority, its strategic plans, finances, partners/stakeholders and the overall legislative framework.

ENVIRONMENTAL IMPLICATIONS

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

EQUALITY IMPLICATIONS

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

FINANCIAL IMPLICATIONS

15 Revision of the Strategic Risk Register is a key element of this Authority's system of internal control that contributes to safeguarding the assets of the Authority and its reputation for sound financial management of public funds. This is reflected in the Authority's Annual Governance Statement published within the annual accounts and approved by this Committee.

16 Where actions require additional resources these will be identified and approved through the normal budget setting/service planning and management processes in accordance with Financial Regulations.

HUMAN RESOURCE IMPLICATIONS

17 There are no additional human resource implications arising directly from the recommendations in this report. Actions have been set so that they can be met from existing employee resources.

LEGAL IMPLICATIONS

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

RISK MANAGEMENT IMPLICATIONS

19 These are dealt with through the main body of the report and through the revised register. The Ice Centre; the Picketts Lock Development; the Leisure Services Contract retender projects; and the implementation of the Land & Property Strategy are now recognised as potentially the highest corporate risks facing the organisation. Continuing mitigation against these identified risks is demonstrated by the proposed actions in the Strategic Register as set out in Appendix A to this report and primarily through implementing and delivering the approved Business Plan.

Author: Simon Sheldon, 01992 709 859, ssheldon@leevalleypark.org.uk

BACKGROUND REPORTS

Lee Valley Regional Park Authority Risk Management Strategy	June 2018

ABBREVIATIONS

LSC	Leisure Services Contract
AGS	Annual Governance Statement

PREVIOUS COMMITTEE REPORTS

Audit Committee	AUD/94/18	Risk Register 2018/19	20 September 2018
Audit Committee	AUD/90/18	Risk Register 2018/19	21 June 2018
Audit Risk Workshop			07 June 2018

APPENDICES ATTACHED

Appendix A	2018/19 Corporate Risk Register – Authority
Appendix B	2018/18 Sub Register LSC retender (SR9)
Appendix C	Risk Scoring Criteria (extract from the approved risk management strategy (June 2018))

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STRATEGIC RISK REGISTER AS AT 14 FEBRUARY 2019

Risk ID	Risk Name	Inherent Risk Score Lead	Impact	Likelihood	Total Score		Existing Controls	Residual Risk Score Source of Assurance **EA** Ext Audit **IA** Int Audit **SMT** Sr Mgmt Team **RD** H&S **M** Members **BSC** H&S **LA** Legal Advice **APMD** Asset Mgmt Team **EC** Ext Consult	Impact	Likelihood	Total Score			Tolerate/Transfer/Treat/Terminate (if Treat, further actions needed)	Further Actions Needed to reduce Risk	Deadline for Completion Actions	Officer(s) Responsible	**Updated Comments 14/02/2019**	Comments 20/09/2018
SR1	**Legal**																		
	Failure to comply with the 1966 Park Act and other statutory requirements.	DCS	8	7	56		Provision of Legal Services Member scrutiny through Authority & Committee meetings Annual Governance statement Park Act Awareness covered by inductions for new staff.	**EA** -Annual Audit Letter **IA** Audit Plan **SMT** Weekly Meeting Minutes **M** Exec Monthly	6	1	6			Tolerate	Continue Induction Process and monitoring of statutory changes	Quarterly	DCS	**Ongoing**	Ongoing
	Failure to comply with Health & Safety legislation	DFR	9	6	54		Health and Safety management H&S manual (procedures) regularly reviewed by RDHS who monitor up and coming legislation. H&S Policy Updated annually Risk Reduction Plan complete. External H&S Assessment 5* Annual Report to Audit Committee	**RD/SMT** 1/4ly Reports **BSC** 3 yr ext review **RD** Annual Audits **M** Year Report	7	2	14			Tolerate	Annual Internal Audit & H&S Audit Plans delivered.	21/06/2018	DFR	**Annual Health & Safety Audits complete and improvement in score above 5* level**	Completed and approved at Audit Ctte 21/06/2018
SR2	**Contractual**																		
	Agreeing to accept a partners' financial terms and conditions that will place an unacceptable long term liability on the Authority	DFR	9	4	36		Reports to SMTand Members Financial/Legal/Risk Implications fully appraised. Financial Appraisal of schemes in accordance with prudential code.	**M** Exec Monthly **LA** agreement	8	2	16			Tolerate	Ongoing resources review for specific projects	Quarterly	DCS/ DFR	**Ongoing**	Ongoing
	Contractors, Governing Bodies, or Trust not delivering agreed objectives/contract	DFR	7	6	42		All contracts reviewed prior to commencement by a responsible officer. Delivery monitored by Director/Head of Service and performance monitoring team Quarterly Performance Reports to Executive & Scrutiny Committees	**M** Exec Monthly **M** Scrutiny 1/4ly	6	2	12			Tolerate	Quarterly Contract monitoring.	Executive Quarterly Monitoring	HSL	**Contracts working well with few issues. The Trusts performnance re the LSC is detailed within the February Members paper.**	Contracts in general are working well with very few issues. The Trusts performnace in relation to the LSC are detailed within the September Members paper.
	Management of Facilities Contracts & failure to maintain assets to a good H&S and operational standard	DCS	9	4	36		Advice and support APMD plus external contractors. Quality contactors employed for maintenace through procurement (Price Quality ratio applied)	**APMD** Annual Inspections	7	3	21			Treat	Ongoing Monitoring	Annual Inspections & Review.	APMD	**Annual inspections ongoing - weakness in MPG paperwork being addressed**	Annual inspections are ongoing and will be completed by 31.12.2018

STRATEGIC RISK REGISTER AS AT 14 FEBRUARY 2019

Risk ID	Risk Name	Inherent Risk Score: Lead	Impact	Likelihood	Total Score		Existing Controls	Residual Risk Score: Source of Assurance EA Ext Audit IA Int Audit SMT Sr Mgmt Team RD H&S M Members BSC H&S LA Legal Advice APMD Asset Mgmt Team EC Ext Consult	Impact	Likelihood	Total Score			Tolerate/Transfer/Treat/Terminate (if Treat, further actions needed)	Further Actions Needed to reduce Risk	Deadline for Completion Actions	Officer(s) Responsible	Updated Comments 14/02/2019	Comments 20/09/2018
SR 3	**Resources**																		
	I.T. infrastructure does not meet future business need requirements. Authority requires funding for updating or improving I.T infrastructure	DFR	9	4	36		Reports to Members Financial/Legal/Risk Implications fully appraised. Financial Appraisal of schemes in accordance with prudential code. Existing IT Infrastructure budget £100K pa	**SMT** Weekly Meeting Minutes **IA** Audit Plan **EA** -Annual Audit Letter	8	3	24			Treat	Support Services Review for new Contract post 2020	30/09/2019	DFR	**IT decoupling in progress staff returned to Authority. New It budget approved**	Report to LSC working group 20/09/2018
	The Authority fails to recruit/retain staff at all levels of the appropriate calibre	CEO	8	8	64		Reward & Recognition Training & development framework Management Away Days Staff presentations Internal/External communications Up to date staff handbook Up to date policies	**M** Annual Sickness Report **M** -Policy Reports **SMT** Annual Training panel	4	4	16			Treat	Ongoing Monitoring	On-going	CEO/ DFR	**Support Services Decoupling in progress**	See Comment above
SR 4	**Financial Management**																		
	Financial Risks of over/under spent budget through non-achievement of income targets or inaccurate budget forecasting. Insufficient Resources to meet objectives	DFR	9	9	81		Budget monitoring reports Authority/Trust monitoring Meetings Joint Chairs Meeting Budget Review 2017/18 complete Medium Term Financial Plan £4m Minimum Reserves Policy Statutory Power to Levy	**M** Exec 1/4ly **M** Authority Annual Budget **SMT** Monthly & 1/4ly Reports	7	2	14			Treat	Budget Review 2018/19	24/01/2019	DFR	**Quarter 3 Revenue & Capital Monitoring to Executive 14/02/2019**	Quarter 1 Revenue & Capital Monitoring to Executive 26/07/2018
SR5	**Governance & Leadership**																		
	Lack of a clear corporate direction	CEO	9	9	81		Authority meetings SMT Business Plan 2016-19 MTFP to 2020 Levy Strategy Land & Property Strategy Vision 2010-2020	**M** 1/4ly Authority Meetings **M** Working Groups **SMT** Weekly Meeting Minutes	9	3	27			Tolerate	Set out 2020-2030 Vision	30/09/2019	CEO	**New 2020-2030 to be developed over Spring & Summer.**	LSC retender in progress Service Reviews in progress
	Challenge to Authority's powers to raise the Levy on all constituent councils	CEO	9	9	81		Stakeholder engagement Clear Budget/Levy Direction Funded Financial Plan Statutory Levy Raising Powers Monitoring of Legislation	**SMT** Weekly Meeting Minutes **LA** as needed	9	1	9			Tolerate	Set out 2020-2030 Vision	Quarterly Monitoring 24/01/2019	CEO	**Ongoing**	Ongoing

STRATEGIC RISK REGISTER AS AT 14 FEBRUARY 2019

		Inherent Risk Score						Residual Risk Score											
Risk ID	Risk Name	Lead	Impact	Likelihood	Total Score		Existing Controls	Source of Assurance **EA** Ext Audit **IA** Int Audit **SMT** Sr Mgmt Team **RD** H&S **M** Members **BSC** H&S **LA** Legal Advice **APMD** Asset Mgmt Team **EC** Ext Consult	Impact	Likelihood	Total Score		⇦ ⇨ ⇔	Tolerate/Transfer/Treat/Terminate (if Treat, further actions needed)	Further Actions Needed to reduce Risk	Deadline for Completion Actions	Officer(s) Responsible	**Updated Comments 14/02/2019**	Comments 20/09/2018
SR6	**Reputation/Communication**																		
	Impact on Authority's reputation due to service failure, damaged stakeholder and/or contractor relationships.	HC	7	5	35		Managed via Contract Stakeholder updates Feedback/liaison with Trust Stakeholder Communications Speaker engagements Existing media relations	**SMT** Weekly Meeting **M** 1/4ly Authority Meetings **M** Exec Monthly Stakeholder Perception KPI	6	3	18		⇨	Treat	Regular client meetings	Quarterly Monitoring Report	HC	**Continued engagement with stakeholders (including major events), media relations and joint promotional work with Trust**	Continued engagement with stakeholders (including major events), media relations and joint promotional work with the Trust
SR7	**Business Continuity**																		
	Inadequate business continuity implementation at any (all) sites following natural disaster, IT failure including Cyber Terrorism, Flooding, Disease Outbreak (animals/humans), Terrorism.	CEO	6	5	30		Emergency Action Planning IT Disaster Recovery Plan Business Interruption Insurance Adequate Cover arrangements exist for Senior Management Site DRP & Management Plans Joint Trust/Authority Training Insurance Policies/Funds General Reserves H&S Audits Working with EA/CRT and other Local Authorities	**EA** -Annual Audit Letter **IA** Audit Plan **SMT** Weekly Meeting Minutes **M** Exec Monthly	5	3	15		⇨	Treat/ Transfer	Audit Recommendations implemented Further training and testing. Trust Risk Register - alignment re risk and continuity	Quarterly Monitoring	HSL	**As per September plus the Trust have responded to written concern with their new management structure and comms processess.**	Officers have reviewed processes to best manage this area between now and the new LSC starting in 2020. Event planning is conducted on an event by event basis.
SR8	**Environmental Management**																		
	Failure to manage contamination could be a risk to users, this includes land and/or water contamination (also damage to reputation from failing to manage contamination)	DCS	9	9	81		Site investigations carried out prior to developments & land remediated. Site investigations carried out on some other sites. Some sites monitored. Sites closed to pubic access where contamination is significant. Contaminated Land Policy Member Task & Finish group Completion of Conraminated Land Strategy & Policy Consultant Site Investigations work completed.	**M** 1/4ly Authority Meetings **M** Working Groups **M** Exec Monthly **SMT** Weekly Meeting Minutes	7	2	14		⇔	Tolerate	Ongoing monitoring	Ongoing Monitoring plus analysis when land sold/purchased or developed	DCS	**Ongoing monitoring in line with Land Comtamination Strategy & Policy**	Ongoing monitoring in line with Land Comtamination Strategy & Policy

STRATEGIC RISK REGISTER AS AT 14 FEBRUARY 2019

Risk ID	Risk Name	Inherent Risk Score: Lead	Impact	Likelihood	Total Score		Existing Controls	Residual Risk Score: Source of Assurance **EA** Ext Audit **IA** Int Audit **SMT** Sr Mgmt Team **RD** H&S **M** Members **BSC** H&S **LA** Legal Advice **APMD** Asset Mgmt Team **EC** Ext Consult	Impact	Likelihood	Total Score			Tolerate/Transfer/Treat/Terminate (if Treat, further actions needed)	Further Actions Needed to reduce Risk	Deadline for Completion Actions	Officer(s) Responsible	**Updated Comments 14/02/2019**	Comments 20/09/2018
SR9	**Major Business Developments**																		
	Ice Centre Failure in Strategic Risks 1-8 above in the development of the Ice Centre circa £38m project and Legal Challenge	CEO	9	8	72		Legal Advice Prudential Code Feasibility Studies Member Steering Group Existing PR/Comms Feasibility budget Working with LB Waltham Forest Planning Advice	**EC** Reports **SMT** Weekly Meeting Minutes **M** Exec Monthly **M** 1/4ly Authority Meetings **M** Working Groups **IA** Audit Plan **EA** -Annual Audit Letter	9	7	63			Treat	Planning Approval Business Plan Design Team Engagement stakeholders, users and local community	30/04/2019	HSL	**Design work progressing well & discussions with WF re formal pre applications. Members consider the next stage in April .**	Executive report - Twin pad alternative approach 26/07/2018. Report back in early 2019.
	Picketts Lock Development Failure in Strategic Risks 1-8 above in the development of the Picketts Lock circa £40m project and Legal Challenge	CEO	8	8	64		Legal Advice Prudential Code Feasibility Studies Existing PR/Comms Feasibility budget Working with LB Enfield Planning Advice Land & Property Member Group	**EC** Reports **SMT** Weekly Meeting Minutes **M** Exec Monthly **M** 1/4ly Authority Meetings **M** Working Groups **IA** Audit Plan **EA** -Annual Audit Letter	8	7	56			Treat	Planning Approval Business Plan Design Team Engagement stakeholders, users and local community	31/03/2019	DCS	**Public announcement of the WAVE in November 2018. Site investigations progressing.**	Project in initial phases report to Executive 20/09/2018
	Leisure Services Contract Retender Failure in Strategic Risks 1-8 above in the retender of the Leisure Services Contract circa £20m and potential Legal Challenge	CEO	9	5	45		Legal Advice Procurement Regulations Medium Term Financial Plan Existing PR/Comms External Consultants Member Steering Group	**EC** Reports **SMT** Weekly Meeting Minutes **M** Exec Monthly **M** 1/4ly Authority Meetings **M** Working Groups **IA** Audit Plan **EA** -Annual Audit Letter	8	5	40			Treat	Market Engagement Specification	31/09/2019	CEO	**See new project specific sub Register. Contractors open day completed. ITT stage due to start at the end of March 2019.**	Market engagement returns received. OJEU notice to be published in November. Tender exercise on target

STRATEGIC RISK REGISTER AS AT 14 FEBRUARY 2019

Risk ID	Risk Name	Inherent Risk Score Lead	Impact	Likelihood	Total Score		Existing Controls	Residual Risk Score Source of Assurance EA Ext Audit IA Int Audit SMT Sr Mgmt Team RD H&S M Members BSC H&S LA Legal Advice APMD Asset Mgmt Team EC Ext Consult	Impact	Likelihood	Total Score			Tolerate/Transfer/Treat/Terminate (if Treat, further actions needed)	Further Actions Needed to reduce Risk	Deadline for Completion Actions	Officer(s) Responsible	Updated Comments 14/02/2019	Comments 20/09/2018
SR10	**Implications of Implementing Land & Property Strategy**																		
	Purchases- Opportunity Cost of Resources, Reducing Available Resources or increasing future liabilities	DCS	8	6	48		Legal Advice -Park Act Park Act L&P Strategy Land Contamination Strategy Medium Term Financial Plan Land & Property Working Group	**EC** Reports **SMT** Weekly Meeting Minutes **M** Exec Monthly **M** 1/4ly Authority Meetings **M** Working Groups **IA** Audit Plan **EA** -Annual Audit Letter	8	4	32			Treat	Seek External Advice incl. Planning Context. Identify Resources Members Decision. Ongoing Monitoring. Consultation	31/03/2019	HoP	**Considering any areas of land identified by the Land & Property Working Group that are offered for purchase. Reporting to Executive as matters progress**	Considering any areas of land identified by the Land & Property Working Group that are offered for purchase. Reporting to Executive as matters progress.
	Disposals - Legal challenge, Reputational Damage, reduced puiblic access or bio diversity.Failure to deliver land disposal due to the constraints imposed by the riparian boroughs/districts and other agencies, e.g. green belt/flood risk/contaminated land	DCS	8	7	56		Legal Advice -Park Act Park Act L&P Strategy Medium Term Financial Plan Land & Property Working Group	**EC** Reports **SMT** Weekly Meeting Minutes **M** Exec Monthly **M** 1/4ly Authority Meetings **M** Working Groups **IA** Audit Plan **EA** -Annual Audit Letter	8	7	56			Treat	Seek External Advice incl. Planning Context. Members Decision. Consultation	31/03/2019	HoP	**Progressing land disposals identified by the Land & Property Working Group. Reporting to Executive as matters progress**	Progressing land disposals identified by the Land & Property Working Group. Reporting to Executive as matters progress.
SR11	**Impact of Brexit on Authority**																		
	Failure in Strategic Risks 1-10 above due to changes in the Economic and Business climate brought about by changes following the departure from the European Union	CEO	7	9	63		Legal Advice Medium Term Financial Plan General/Capital Reserves Treasury Management Policy Annual Investment Strategy Prudential Code Power to Levy Land & Property Member Group Annual/Triennial pension valuations	**EC** Reports **SMT** Weekly Meeting Minutes **M** Exec Monthly **M** 1/4ly Authority Meetings **M** Working Groups **IA** Audit Plan **EA** -Annual Audit Letter	7	6	42			Treat	**Monitor:** Land Sales Interest rates Third Party investors/ stakeholders Legal framework Pension valuations	Ongoing	DF/ DCS	**Potential risk needs ongoing monitoring particularly in relation to finances and future strategic investments, and 3rd party contacts**	N/A

Score 45-81 High Risk
Score 18-42 Moderate risk
Score 1- 16 Low risk

Progress in a positive direction ie reducing the risk
Progress is negative and risk is getting worse.
Progress static subject to actions or as risk is "tolerated"

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LEISURE SERVICE CONTRACT SUB RISK REGISTER AS AT 14 FEBRUARY 2019

		Inherent Risk Score						Residual Risk Score											
Risk ID	Risk Name	Lead	Impact	Likelihood	Total Score		Existing Controls	**Source of Assurance** **EA** Ext Audit **IA** Int Audit **SMT** Sr Mgmt Team **RD** H&S **M** Members **BSC** H&S **LA** Legal Advice **APMD** Asset Mgmt Team **EC** Ext Consult **PR** Performance Review	Impact	Likelihood	Total Score		⇦ ⇨ ⇔	Tolerate/Transfer/Treat/Terminate (if Treat, further actions needed)	Further Actions Needed to reduce Risk	Deadline for Completion Actions	Officer(s) Responsible	**Comments 14/02/2019**	Comments 22/11/2018
SR1	**Legal**																		
	Failure to comply with Public Procurement Regulations	DCS	7	9	63		Provision of Legal Services Member scrutiny through LSC Working Group, Authority & Committee meetings Ext Consultants Support Internal Audit	**LA** In house **IA** Audit Plan **SMT** Weekly Meeting Minutes **M** Exec Monthly **M** LSC Group **EC** advice	5	1	5		⇔	Tolerate	Continue to receive extenal consultancy advice and report to Members	Monthly	HSL	**OJEU notice published 03/12/18. Ongoing support of Audit and external consultants.**	Ongoing
	Process delayed by legal challenge before November 1st 2019	DCS	7	8	56		Provision of Legal Services Member scrutiny through LSC Working Group, Authority & Committee meetings Ext Consultants Support In house staff work plans prioritised	**LA** In house **IA** Audit Plan **SMT** Weekly Meeting Minutes **M** Exec Monthly **M** LSC Group **EC** advice	7	7	49		⇨	Treat	On going monitoring and assessment of procurement at Officer & Member commissioning groups. Report on outcome of tendering process	Weekly	HSL	**Ongoing**	Ongoing
SR2	**Contractual**																		
	New contractual arrangements not in place by 1 April 2020	DCS	7	8	56		Reports to SMT and Members Financial/Legal/Risk Implications fully appraised. Ext Consultants Support In house staff work plans prioritised Project Timetable/Plan	**SMT** Weekly Meeting Minutes **M** Exec Monthly **M** LSC Group **EC** advice **LA** contract	7	5	35		⇨	Treat	Ongoing resources review for contracts Work plan priority	Weekly	DCS	**LSC officer project management group plus agreed timetable**	Ongoing
	Existing Service deteriorates as current contract nears end causing failure to delivering on agreed objectives, contractual requirements or terminating contract prior to commencement of new contract	DFR	6	6	36		Delivery monitored by Director/Head of Service and performance monitoring team Quarterly Performance Reports to Executive & Scrutiny Committees.	**M** Exec Monthly **M** Scrutiny 1/4ly **IA** Audit Plan **SMT** Weekly Meeting Minutes **LA** current contract	6	4	24		⇨	Treat	Quarterly Contract monitoring. Contractor Service Plan for 2019/20 Agreed	Executive Quarterly Monitoring	DFR	**Q3 LSC monitoring Report 14/02/19**	Quarterly Monitoring
	Management of Facilities Contracts & failure to maintain assets to a good H&S and operational standard	DCS	9	4	36		Advice and support APMD plus external contractors. Quality contactors employed for maintenance through procurement (Price Quality ratio applied). Performance department regular inspections carried out	**APMD** Annual Inspections **PR** Monthly inspections **M** Exec Monthly **M** Scrutiny 1/4ly	9	3	27		⇨	Treat	Ongoing Monitoring Implement pre 2020 condition survey work	Annual/ Monthly Inspections & Review.	APMD	**Capital budget approved to increase investment for next two years.**	Condition survey programme for works to be agreed as part of budget process

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LEISURE SERVICE CONTRACT SUB RISK REGISTER AS AT 14 FEBRUARY 2019

Risk ID	Risk Name	Inherent Risk Score Lead	Impact	Likelihood	Total Score		Existing Controls	Residual Risk Score Source of Assurance **EA** Ext Audit **IA** Int Audit **SMT** Sr Mgmt Team **RD** H&S **M** Members **BSC** H&S **LA** Legal Advice **APMD** Asset Mgmt Team **EC** Ext Consult **PR** Performance Review	Impact	Likelihood	Total Score		⇦ ⇨ ⇔	Tolerate/Transfer/Treat/Terminate (if Treat, further actions needed)	Further Actions Needed to reduce Risk	Deadline for Completion Actions	Officer(s) Responsible	**Comments 14/02/2019**	Comments 22/11/2018
SR 3	**Resources**																		
	Inadequate I.T. Infrastructure/ Systems/Data for new LSC.	DFR	7	5	35		Reports to Exec Financial/Legal/Risk Implications fully appraised. Financial Appraisal of relocation/updating of Authority IT assets New Usage Counters Project Existing IT Infrastucture Budget	**SMT** Weekly Meeting Minutes **IA** Audit Plan **EC** - LSC Specification	7	5	35		⇨	Treat	Review for Procurement process Review for new Contract post 2020	31/03/2019	DFR	**IT service decoupled - staff returned to Authority**	Ongoing review and monitoring to LSC working group up to April 2019
	Inadequate Support Services to mitigate legal challenge during procurement process and to ensure adequate resources for contract mobilisation	DFR	7	8	56		Approved Process Authority Secondments resolved TUPE agreements Initial staff transfers confirmed Staff re-induction to LVRPA Internal/External communications	**SMT** - Weekly Meeting Minutes **M** - Exec Monthly **LA** -Confirmation on TUPE arrangements	6	4	24		⇨	Treat	Support Services Review implemented for the time between Nov 2018 to Oct 2019 then post April 1st 2020	31/10/2019	DFR	**Decoupling in progress and staff returning to Authority on phased approach.**	Approved LSC working Group and Executive September 2018
SR 4	**Financial Management**																		
	Financial Risks of contractor failure and Authority to assume control of venues	DFR	9	6	54		Authority monitoring Meetings Joint Board Meetings £4m Minimum Reserves Policy Statutory Power to Levy	**M** Exec 1/4ly **M** Authority Annual Budget **SMT** Monthly & 1/4ly Reports	9	4	36		⇨	Treat	Budget Review & MTFP Explore the setting up of skeleton trust	31/03/2019	DCS	**Requirement to set up skeleton Trust to manage risk.**	Requirement to set up skeleton Trust to manage risk.
SR5	**Governance & Leadership**																		
	Contractor fails to provide the governance structures and leadeship to deliver the statutory, financial and best practice requirements of the contract.	CEO	7	7	49		Authority/Contractor SMT meetings Joint Chairs meetings LSC contract Performance Monitoring Compliance with statutory bodies eg Charities commission/company law	**M** 1/4ly Authority Meetings **M** Working Groups **M** - Exec Monthly **SMT** Weekly Meeting Minutes **LA** In house **EA** Ext Audit **IA** Int Audit	7	4	28		⇨	Treat	Review Authority/ Contractor SMT meetings. LSC Rentender documentation Specification compliance and due diligence	30/11/2019	CEO	**Tender Specification sets out clear guidelines. Support advice from auditors**	Ensure existing contractor and any potential new contractor meets all statutory requirements in existing & new LSC.

LEISURE SERVICE CONTRACT SUB RISK REGISTER AS AT 14 FEBRUARY 2019

Risk ID	Risk Name	Inherent Risk Score: Lead	Inherent Risk Score: Impact	Inherent Risk Score: Likelihood	Inherent Risk Score: Total Score		Existing Controls	Residual Risk Score: Source of Assurance **EA** Ext Audit **IA** Int Audit **SMT** Sr Mgmt Team **RD** H&S **M** Members **BSC** H&S **LA** Legal Advice **APMD** Asset Mgmt Team **EC** Ext Consult **PR** Performance Review	Residual Risk Score: Impact	Residual Risk Score: Likelihood	Residual Risk Score: Total Score			Tolerate/Transfer/Treat/Terminate (if Treat, further actions needed)	Further Actions Needed to reduce Risk	Deadline for Completion Actions	Officer(s) Responsible	**Comments 14/02/2019**	Comments 22/11/2018
SR6	**Reputation/Communication**																		
	Retendering of the contract requires engagement in the wider market including the existing contractor. Failure to deliver a fair and transparent process could damage the Authority's reputation in this and future tendering processes	HSL	7	7	49		External Consultants Employed (SLC) to support in-house legal specialists and Authority SMT Authority Governance structures Authority Legal Team PR Comms team Internal/External auditors	**EC** Reports **SMT** Weekly Meeting Minutes **M** Exec Monthly **M** 1/4ly Authority Meetings **M** Working Groups **IA** Procurement process **EA** Annual Report re VFM	5	7	35			Treat	PR/Comms team to manage external communications Employment of Stakeholder engagement consultants	31/03/2019	HSL	**OJEU notice published. Contractor open days. Clarification questions answered. On-line portal for monitoring**	Continual review by officers of procurement process
SR7	**Business Continuity**																		
	Inadequate business continuity implementation during procurement phase and during mobilisation of new contract.	CEO	7	7	49		Emergency Action Planning IT Disaster Recovery Plan Business Interruption Insurance Adequate Cover arrangements exist for Senior Management Site DRP & Management Plans Joint Trust/Authority Training Insurance Policies/Funds General Reserves H&S Audits Support Services Decoupling IT/ HR/Finance	**EA** - Annual Audit Letter **IA** Audit Plan and monitoring visits **SMT** Weekly Meeting Minutes **M** Exec Monthly	7	5	35			Treat	Audit Recommendations implemented Further training and testing. Align Contractor Risk Register - to Authority risk register to ensure continuity	Quarterly Monitoring	HSL	**Authority has written to Trust to obtain the assurances required between now and the end of the current contract. Ongoing montoring continues plus quarterly reports to Executive.**	Officers have reviewed processes to manage this area between now and the new LSC starting in 2020. Processes in place to update Incident Management Plans Event planning is conducted on an event by event basis.

LEISURE SERVICE CONTRACT SUB RISK REGISTER AS AT 14 FEBRUARY 2019

Risk ID	Risk Name	Inherent Risk Score: Lead	Impact	Likelihood	Total Score		Existing Controls	Residual Risk Score: Source of Assurance: **EA** Ext Audit, **IA** Int Audit, **SMT** Sr Mgmt Team, **RD** H&S, **M** Members, **BSC** H&S, **LA** Legal Advice, **APMD** Asset Mgmt Team, **EC** Ext Consult, **PR** Performance Review	Impact	Likelihood	Total Score		⇨ ⇦ ⇔	Tolerate/Transfer/Treat/Terminate (if Treat, further actions needed)	Further Actions Needed to reduce Risk	Deadline for Completion Actions	Officer(s) Responsible	**Comments 14/02/2019**	Comments 22/11/2018
SR8	**Major Business Developments**																		
	Leisure Services Contract Retender Failure in Strategic Risks 1-7 above in the retender of the Leisure Services Contract	CEO	9	5	45		Legal Advice Procurement Regulations Medium Term Financial Plan Existing PR/Comms External Consultants Member Steering Group Market Engagement Specification SMT monitoring.	**EC** Reports **SMT** Weekly Meeting Minutes **M** Exec Monthly **M** 1/4ly Authority Meetings **M** Working Groups **IA** Audit Plan **EA** -Annual Audit Letter	8	5	40		⇨	Treat	Scoring team who will be independently trained to score the bids. Separate panel three officers (1 external) who will be the check and challenge for all areas relating to the scoring. Internal Audit	31/10/2019	CEO	**Comments set out above. Tender Exercise on target**	Market engagement returns received. OJEU notice to be published start of December. Tender exercise on target
	Leisure Services Contract Retender Failure to appoint contractor for new Leisure Service Contract.	CEO	8	3	24		Legal Advice Procurement Regulations External Consultants Member Steering Group Procurement regulations diligently followed through process	**EC** Reports **SMT** Weekly Meeting Minutes **M** Exec Monthly **M** 1/4ly Authority Meetings **M** Working Groups **IA** Audit Plan **EA** -Annual Audit Letter	8	3	24		⇨	Treat	Explore setting up a skeleton trust to be established as part of Business Continuity Plan for maintaining service provision.	30/11/2019	CEO	**Ongoing**	OJEU notice to be published in December. Tender exercise on target. LVRPA to ensure skeleton trust and business continuity process set up in advance.
					584						373								

Score 45-81 High Risk

Score 18-42 Moderate risk

Score 1- 16 Low risk

⇨ Progress in a positive direction ie reducing the risk

⇦ Progress is negative and risk is getting worse.

⇔ Progress static subject to actions or as risk is "tolerated"

Risk Appetite

Risks are currently assessed using a 1-9 scale for both impact and likelihood. The Authority's risk appetite is then defined using the scoring matrix below.

Impact									
9	9	18	27	36	45	54	63	72	81
8	8	16	24	32	40	48	56	64	72
7	7	14	21	28	35	42	49	56	63
6	6	12	18	24	30	36	42	48	54
5	5	10	15	20	25	30	35	40	45
4	4	8	12	16	20	24	28	32	36
3	3	6	9	12	15	18	21	24	27
2	2	4	6	8	10	12	14	16	18
1	1	2	3	4	5	6	7	8	9
	1	2	3	4	5	6	7	8	9

Likelihood

Those risks with a residual score in the green zone are generally considered to be managed to an acceptable level and hence limited or no further actions would be expected.

For those risks with a residual score in the amber zone, the exposure is considered to be partially acceptable. Further actions would be needed to lower this into the green zone, although a decision has to be made as to whether this is cost effective, given that resources are constrained.

Those risks with a residual score in the red zone are considered to have an exposure that is at an unacceptable level and hence further actions are needed to lower this.

On some occasions a decision may be made to accept a higher level of residual risk, although this will be subject to ongoing review and consideration at both Senior Management Team and Member level.

Scoring Criteria

Each risk is scored on the basis of the following criteria for impact and likelihood, both for inherent and residual risk. Whilst the assessment remains subjective, these criteria serve as a guide and are used to help ensure consistency in scoring across each of the risks identified.

	Impact	**Likelihood**
1	No impact	<1% likely to occur in next 12 months
2	Financial loss up to £1,000 or no impact outside single objective or no adverse publicity	1%-5% likely to occur in next 12 months
3	Financial loss between £1,000 and £10,000 or no impact outside single objective or no adverse publicity	5%-10% likely to occur in next 12 months
4	Financial loss between £10,000 and £25,000 or minor regulatory consequence or some impact on other objectives	10%-20% likely to occur in next 12 months
5	Financial loss between £25,000 and £50,000 or impact on other objectives or local adverse publicity or strong regulatory criticism	20%-30% likely to occur in next 12 months
6	Financial loss between £50,000 to £250,000 or impact on many other processes or local adverse publicity or regulatory sanctions (such as intervention, public interest reports)	30%-40% likely to occur in next 12 months
7	Financial loss between £250,000 to 500,000 or impact on strategic level objectives or national adverse publicity or strong regulatory sanctions	40%-60% likely to occur in next 12 months
8	Financial loss between £500,000 to £1 million or impact at strategic level or national adverse publicity or Central Government take over administration	60%-80% likely to occur in next 12 months
9	Financial loss above £1 million or major impact at strategic level or closure/transfer of business	>80% likely to occur in next 12 months