

ANNUAL GOVERNANCE STATEMENT 2018/19

Presented by the Director of Finance & Resources

SUMMARY

This report sets out the Annual Governance Statement to be included within the Statement of Accounts for 2018/19. The Accounts are currently subject to external audit, which commenced on 3 June 2019.

RECOMMENDATION

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

BACKGROUND

- 1 The Accounts and Audit Regulations 2015 require the Authority's Accounts to be signed, certified and published by 31 July 2019.
- 2 The earlier preparation of Accounts means that there will be a special meeting of the Audit Committee on 4 July 2019 to approve the detailed Accounts. It is anticipated that at this meeting the external audit will have been completed and a draft Annual Audit Results Report will also be available for Members consideration – up until 2016/17 this was completed by 30 September.

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

conducted to provide sufficient, relevant and reliable assurance to enable them to authorise the signing of the Authority's Annual Governance Statement and for it to be published with the Financial Statements.

- 5 Assurance derived through the monitoring of processes, including risk management, provides evidence which allows the Authority to form conclusions on the efficiency and effectiveness of operations. The scope of internal control spans the whole range of the Authority's activities and includes those controls designed to ensure:
- the Authority's policies are put into practice;
 - the organisation's values are met;
 - laws and regulations are complied with;
 - required processes are adhered to;
 - financial statements and published information is accurate and reliable; and
 - human, financial and other resources are managed efficiently and effectively.
- 6 A draft Annual Governance Statement is attached at Appendix A to this report for approval by Members.

ENVIRONMENTAL IMPLICATIONS

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

EQUALITY IMPLICATIONS

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

FINANCIAL IMPLICATIONS

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

HUMAN RESOURCE IMPLICATIONS

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

LEGAL IMPLICATIONS

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

RISK MANAGEMENT IMPLICATIONS

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

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PREVIOUS COMMITTEE REPORTS

Audit Committee	AUD/95/19	Accounting Policies & Accounts Closedown Timetable 2018/19	14 February 2019
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APPENDIX ATTACHED

Appendix A	Annual Governance Statement 2018/19
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Scope of responsibility

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

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

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

The purpose of the governance framework

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

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

The governance framework has been in place at the Authority for the year ended 31 March 2019 and up to the date of approval of the statement of accounts.

The governance environment

A clear statement of the Authority's purpose and vision is set out in "The Lee Valley Regional Park Authority Business Strategy 2010-2020". The Authority's objectives are set out in the Performance Management Framework. These are translated into more specific aims and objectives in the service improvement plans which are prepared annually. The achievement of these objectives is monitored by the Senior Management Team, the Performance Team, the Executive and Scrutiny committees.

The Authority does not have directly elected Members but Members appointed to the Authority by local councils. Members are responsible for setting policies and priorities and for the efficient and effective use of resources. The behaviour of Authority Members is regulated through a Model Code of Conduct made by statutory instrument, which is adopted and regulated within their own Councils' systems and which is supported by a Members' planning code of good practice within this Authority. At the AGM in July 2018 the Authority also approved (Paper A/4261/18) a Conflict of Interests/Loyalties Protocol which sits as an Appendix to Standing Orders. Employees are also subject to a Code of Conduct and a number of specific policies (e.g. on whistle blowing, IT usage, bullying and harassment) which are set out in the Employee Handbook. Advice on these matters is embedded through on-going training.

The Authority does not have a formal constitution but relies on a traditional local authority committee model. Policy and decision making are facilitated by a clear framework of delegation set out in the Lee Valley Regional Park Act 1966, the Authority's Standing Orders and Financial Regulations. This sets out, among other things, where responsibility lies for developing and delivering policy, and for taking decisions. The Standing Orders and Financial Regulations provide for some delegation to officers but within a policy framework laid down by the Authority, and with the more significant executive decisions being taken by the elected Members of the Executive Committee and the Full Authority.

Compliance with established policies, procedures, laws and regulations is ensured by the requirement in the Standing Orders to give the Chief Executive, the Monitoring Officer and the Chief Finance Officer the opportunity to comment on

every report submitted to a decision making body. The Monitoring Officer has a legal duty to ensure the lawfulness of decision making.

Risk management is embedded in the Authority through a Corporate Risk Management Framework (Paper AUD/90/18) which includes the requirement to identify strategic and operational risks, assess those risks for likelihood and impact, identify mitigating controls and allocate responsibility for those controls. The Authority maintains and reviews a register of its business risks, linking them to strategic business objectives and assigning ownership for each risk. Risk management awareness is an integral part of the Authority's employee/management competency framework. The Director of Finance & Resources leads on matters of risk for the Authority and reports directly to the Audit Committee who receive reports on risk management at each meeting and who take appropriate action to ensure that corporate business risks are up-to-date; being actively managed; and agree the soundness of the Authority's risk management arrangements.

The Authority's programme for securing continuous improvement in its services is set out in the Performance Management Framework. Actions for improvement are drawn from a variety of sources including internal audit; the Authority's own service reviews and, external inspections such as those undertaken by Quest, Green Flag and the British Safety Council. An annual assessment of performance, detailing future performance targets, is set out in the Annual Performance Management Report.

The Director of Finance & Resources is designated as the responsible officer for the administration of the Authority's financial affairs under section 151 of the Local Government Act 1972 and section 11 (1) of the Lee Valley Regional Park Act 1966. This includes ensuring the lawfulness and financial prudence of decision making; providing advice, particularly on financial impropriety, publicity and budget issues; giving financial information; and acting as the Authority's money laundering, whistle blowing and anti-fraud, bribery & corruption reporting officer. Policies relating to whistle blowing anti-fraud, bribery & corruption were approved by Members of the Audit Committee in September 2017 (Paper AUD/81/17) and approved by the full Authority in October 2017 (Paper A/4246/17). This is supported by Authority wide awareness training for all staff and elected Members. These policies are normally reviewed every third year (unless legislation or regulations change) and review of these particular policies was completed in September 2017. The Authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016).

The Authority has a performance management framework through which quality of service is measured through corporate performance indicators which in turn are reported through the Annual Performance Management Report. This is monitored by the Senior Management Team and scrutinised on a six-monthly basis by the Executive Committee and a quarterly basis by the Scrutiny Committee.

Review of effectiveness

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

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

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

The Internal Auditor provides an independent opinion on the adequacy and effectiveness of the system of internal control, which is incorporated in the Annual Internal Audit Report to the Audit Committee. The Annual Internal Audit Report for 2018/19, which was presented to the Audit Committee on 20 June 2019 (Paper AUD/XX/19), concluded that, based on the internal audit work undertaken, the Authority's internal control systems are considered to be adequate and effective.

The Audit Committee approved a Risk Management Strategy in May 2010 (Paper AUD/06/10) (in which it was concluded that risk management arrangements are an established part of business operations and are entrusted with senior officers). The Strategic Risk Register has undergone regular monitoring this year. A new Risk Management Strategy was approved by the Audit Committee on 21 June 2018 (Paper AUD/90/18). A full review of the risk register was undertaken in the Spring of 2018 and a new register approved at the Audit Committee in June 2018 (Paper AUD/90/18).

The Audit Committee also ensure a robust management framework for Health & Safety is maintained. Annually all sites are audited by the Health & Safety contractor - with a 90% (plus) approval rating and independent assurance. The work of the Authority is independently assessed by a third party (British Safety Council). The British Safety Council carried out an independent audit in March 2016 and have awarded the Authority a 5* rating (their highest level score) providing further assurance regarding the management of risk for Health & Safety. Health and Safety matters were reported separately to the Audit Committee in the Annual Health & Safety report to the Audit Committee on 20 June 2018 (Paper AUD/102/19).

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

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

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

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

Significant Governance Issues

The Authority has received significant assets as a result of the London 2012 Olympics. The London Legacy Development Corporation completed the legacy transformation works at the Lee Valley VeloPark, and Lee Valley Hockey & Tennis between April 2013 and May 2014. These assets were transferred to the Authority and are recognised in the accounts. These additional asset transfers are valued in excess of £110m, and with that comes a responsibility to manage and operate these as economically and efficiently as possible and in line with the Lottery Funding Agreements with Sport England that the Authority has entered into.

The Authority's existing governance structure was put in place in 2009. It was reviewed in July 2010 and 2015 to ensure management and decision making processes remained robust, relevant and fit for purpose. Members continue to review the committee structures on an annual basis at the AGM – the most recent review in July 2017 (Paper A/4243/17). In support of the Full Authority there are Executive, Audit, Scrutiny and Regeneration and Planning committees covering all areas of the Regional Park. Relevant Member working groups are established annually and cover Park wide strategic initiatives as well as specific major projects and initiatives.

Members agreed to the establishment of an Independent Remuneration Panel (IRP) to carry out a review of the remuneration of the roles of Chairman and Vice Chairman at the Executive Committee in April 2016 (Paper E/443/16). An IRP was convened and an update on progress reported to the AGM in July 2016 with a full report on the IRP recommendations on remuneration for the Chairman and Vice Chairman being reported to the full Authority in October 2016. The IRP recommended that there would be a 1% increase for both remunerations with a further 1% per annum until the current Trust contract expires at which point the remuneration should be reviewed taking into consideration the impact and any changes to the roles from any future contract. The full Authority noted and approved the recommendations from the IRP but deferred the increase in remuneration until 1st July 2017 to coincide with the commencement of the new four year term of office.

The Authority reviewed its own financial reporting requirements in the context of the International Financial Reporting Standards (IFRS) which were embedded as part of the 2010/11 final accounts process. Annually accounting policies, estimates and assumptions are reviewed by the Director of Finance & Resources and approved by the Audit Committee (Paper AUD/95/19), to ensure they are relevant and up-to-date and that they accord with best practice.

The economic climate has, and will continue to impact on the Public Sector purse and particularly the finances of the Authority. The Authority sets the annual budget in the context of a three year business plan and the ten year business strategy. The assumptions behind this forecast are reviewed annually; the medium term financial forecast is restated and then approved by Members. The Authority is conscious of the financial pressures faced by the levied authorities and the spending assessments that impact upon them. The levy will remain at its current level in 2019/20 (0% change) and for the

previous ten years – has achieved a real term decrease in excess of 50%. Officers and Members are committed to providing on-going savings and efficiencies to achieve economy and efficiency through the best use of public funds whilst delivering its own core objectives detailed in the new three year Business Plan 2016 – 2019 and statutory role. Consideration of the levy in future years will be subject to inflation, business risks and other economic factors prevailing at the time. The aspiration is to further reduce the levy above the 24% cash reduction already achieved since 2010/11.

The Authority is continuing a robust plan of income generation and major development projects across the Park to deliver its remit and reduce the reliance on the levy. A fresh business plan is being developed for 2020-25. This plan will set out the key projects and business priorities for this 5 year period along with a financial plan. At the same time the organisational structure is being reviewed to ensure that the capacity and skills are in place to effectively deliver that plan. The key measure has been to ensure that the reliance on the levy fell to 53.0% of the maximum that the Authority could legally charge. This target was achieved in 2013/14 and for 2019/20 it currently stands at 37.6% of the maximum chargeable – a cost per head of population of £0.81p. The Senior Management Team manages a variety of major and smaller projects to develop the Park and its Venues, create efficiencies and generate further income. The proposals from this group are considered by Members of the Executive Committee and full Authority.

In November 2013 (Paper A/4176/13) Members of the Authority agreed to setting up Lee Valley Leisure Trust Limited now trading as Vibrant Partnerships (the Trust), set up as a Co-operative and Community Benefit Society (previously an Industrial and Provident Society) for the purpose of managing the Authority's operations. It also established a Member Task and Finish Work Group to provide oversight and enable detailed discussions on the many aspects of this process. Members explored a variety of operational options including seeking discretionary rate relief for its venues from 'host' Local Authorities while assessing which venues should be included within the scope of a charitable Trust. The Local Authorities were not able to provide a sustainable solution through discretionary rate relief and this option was discounted. In February 2015 (paper A/4201/15), Members approved the Leisure Services Contract commencing on 1 April 2015 between the Lee Valley Regional Park Authority and the Trust. The contract is for a five year period to establish a "sound" operational profile.

The Trust commenced full operation and management of the Venues on the 1 April 2015 and has now completed four successful years of its five year contract. The Authority and the Trust have both formally reviewed the contract as part of the mid-contract review and concluded the Trust has met the requirements and objectives as originally set out (Paper E/541/18). The challenge ahead is for the Trust to continue to deliver the services and improve the quality and financial performance at these venues. The Authority has ongoing monitoring arrangements in place at officer, senior management and Member level to ensure that performance targets are met and that the ethos of continuing improvement is maintained. The Authority is now managing a procurement process to re-let the six main sporting venues at the end of the current contract. For the non-sporting venues the Authority is considering a variety of options that may include a mixed economy approach of a contract and/or leases and/or in-house at the end of the current contract term.

The Authority's approved 2016-2019 business plan ensures it continues to meet existing and new corporate priorities that are emerging and this has fed into the medium term financial planning of the Authority. Having established the operational model for its 14 sport and leisure venues, the Authority will, as part of the new business plan (2020 to 2025), review all service areas with the aim of determining the most cost efficient and effective delivery mechanisms.

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

Shaun Dawson
Chief Executive
XX July 2019

Paul Osborn
Chairman
XX July 2019