

To: Frances Button (Chairman)                      Simon Walsh  
John Bevan    John Wyllie  
David Gardner                                         Terry Wheeler  
Graham McAndrew

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

**THURSDAY, 25 FEBRUARY 2021 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 17 December 2020 (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 2020/21**

Paper AUD/117/21

Presented by Keith Kellard, Head of Finance

6 **EXTERNAL AUDIT UPDATE**

Oral update by Neil Harris, Ernst & Young

**7 RISK REGISTER 2020/21**

**Paper AUD/116/21**

**Presented by Dan Buck, Corporate Director**

**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 considered in Part II.)**

**17 February 2021**

**Shaun Dawson  
Chief Executive**

## LEE VALLEY REGIONAL PARK AUTHORITY

### AUDIT COMMITTEE MINUTES 17 DECEMBER 2020

Members	Frances Button (Chairman)	Simon Walsh
In remote presence:	John Bevan	Terry Wheeler
	David Gardner	John Wyllie
	Graham McAndrew	
Officers	Shaun Dawson	- Chief Executive
In remote presence:	Beryl Foster	- Deputy Chief Executive
	Kelth Kellard	- Head of Finance
	Dan Buck	- Corporate Director
	Vince Donaldson	- Senior Contracts & Quality Manager
	Sandra Bertschin	- Committee & Members' Services Manager
	Lindsey Johnson	- Committee Services Officer
Also In remote presence:	Sue Smith	- Mazars (Internal Auditor)
	Neil Harris	- Ernst & Young (External Auditor)
	Matt Bowmer	- Director of Finance, London Borough of Enfield (S151 Officer)

#### Part I

#### 196 DECLARATIONS OF INTEREST

There were no declarations of interest.

#### 197 MINUTES OF LAST MEETING

**THAT the minutes of the meeting held on 22 October 2020 be approved and signed.**

#### 198 PUBLIC SPEAKING

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

#### 200 EXTERNAL AUDITORS' ANNUAL RESULTS REPORT - 2019/20 ACCOUNTS

Paper AUD/115/20

The report was introduced by the Head of Finance, who informed Members that subject to satisfactory resolution of the outstanding items the auditors expect to give an unqualified opinion. The auditors also intend to request a variation to the base fee of £14,337, to which the Chief Executive has expressed our disappointment in this decision and we await their response.

Neil Harris from Ernst & Young introduced the report for Members, key points included:

- The remaining substantive areas to complete included updated disclosures to reflect the implications of Covid-19 on judgements associated with going concern and the valuer's disclosure of material uncertainties on the valuation of Authority assets.

## **AUDIT COMMITTEE MINUTES 17 DECEMBER 2020**

- The Monitoring Officer's written response has now been received and did not raise any new matters.
- Still awaiting resolution of final questions to establish whether the Authority's share of the London Pension Fund assets used is different to the value included in the audited London Pension Fund financial statements.
- Final checks of the financial statements, receipt of the letter of representation and associated routine closure procedures will need to be completed prior to issuing an audit opinion, which it is hoped will be given by the beginning of January.

Members discussed the paper and made the following comments:

- The Chairman expressed concern that the Authority still didn't have a final agreement and that there were outstanding matters, especially when officers would need to start looking towards the next financial year. Neil Harris responded stating that he would have finished his final checks and questions with Authority officers before Christmas.
- A Member commented that he didn't feel that the level of change for the valuation of our five largest assets should have large level of change. Neil Young responded that the accounts are driven by those assets and that only a small movement of between 1 and 2% can make a material difference. The Head of Finance agreed that it was difficult to get a fair market value for the five largest assets which is why they are valued every year. The Chairman commented that once we realised that Covid-19 would be with us for the year, we should have been able to deal with these assets sooner.
- The Chairman also reflected that more continuity with Ernst & Young staff would help facilitate quicker accounts.

The Chairman thanked Ernst & Young and the Authority's accounts team for their work.

- (1) **the 2019/20 External Auditors' Audit Results Report for the Authority set out in Appendix A to Paper AUD/115/20 was noted.**

201 **ANTI-FRAUD, BRIBERY AND CORRUPTION AND WHISTLE BLOWING POLICIES AND FRAUD RESPONSE PLAN**

Paper AUD/114/20

The report was introduced by the Head of Finance who informed Members that most of the changes related to changes in job titles and personnel.

Members discussed the paper and made the following comments:

- The Chairman pointed out a number of grammatical mistakes on pages 14, 21, 32 where 'is' should be changed to 'are'. She also queried on page 37 whether people should be reporting to both named officers or just one. She also questioned the deletion of the last paragraph on page 37.
  - Another Member pointed out another grammatical error on page 13, where 'is' should be changed to 'are' unless it is plural.
- (1) **the revised Anti-Fraud, Bribery and Corruption Policy as set out in Appendix A to Paper AUD/114/20;**

**AUDIT COMMITTEE MINUTES  
17 DECEMBER 2020**

- (2) the revised Whistle Blowing Policy as set out in Appendix B to Paper AUD/114/20; and**
- (3) the revised Fraud Response Plan as set out in Appendix C to Paper AUD/114/20 be recommended to Authority for approval.**

The Chair wished everyone a happy Christmas and thanked Authority staff, Members and advisors for their work.

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Chairman

\_\_\_\_\_  
Date

The meeting started at 1.45pm and ended at 2.15pm.

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**ACCOUNTING POLICIES AND ACCOUNTS CLOSEDOWN  
TIMETABLE 2020/21**

Presented by the Head of Finance

**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 2020/21.

**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; and
- Members Note
- (3) the key judgements and assumptions set out in paragraphs 9 to 11 of this report.

**BACKGROUND**

- 1 Under the Accounting and Audit Regulations 2015, the Authority is required to publish its Financial Accounts for each financial year by 31 July. These regulations were amended for 2019/20 in response to the coronavirus pandemic to move the publication date to 30 November. The Ministry of Housing, Communities & Local Government (MHCLG) are currently consulting on amendments to the regulations for 2020/21 to change the publication deadline to 30 September for the 2020/21 accounts.

The 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. This assumes, for practical purposes, that we will complete the draft accounts in line with standard regulations and have our draft accounts ready for approval in June 2021.

## **REVIEW OF ACCOUNTING POLICIES**

- 2 The main change that was expected for the 2020/21 accounts was the implementation of IFRS16 (bringing almost all lease liabilities on to the balance sheet together with the corresponding 'right of use' assets). However, this has been delayed for one year from 2020/21 to 2021/22 accounts closedown due to Covid-19.

CIPFA are due to release their code of practice for 2021/22 in April 2021, which will include guidance as to how this standard has been adapted for the public sector. This is expected to require a change to accounting policies for future years.

- 3 A number of new, or amended, International Financial Reporting Standards (IFRS) that have been introduced to the CIPFA Code of Practice for 2020/21, and may have impact on the Authority, including:

- amendments to IAS 1 Presentation of Financial Statements and IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material;
- amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
  - annual Improvements to IFRS Standards 2015-2017 Cycle. The amendments affect:
    - IFRS 3 Business Combinations and IFRS 11 Joint Arrangements – Previously Held Interest in a Joint Operation
    - IAS 12 Income Taxes – Income Tax Consequences of Payments on Financial Instruments Classified as Equity;
- IAS 23 Borrowing Costs – Borrowing Costs Eligible for Capitalisation;
- amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement;
- amendments to References to the Conceptual Framework in IFRS Standards.

- 4 Officers have reviewed these and concluded there is unlikely to be any change in accounting treatment and no change is required to accounting policies.

- 5 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.

- 6 The Accounting Policies for the financial year 2020/21 follow those adopted for 2019/20 under IFRS with no other amendments.



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

#### **CLOSEDOWN TIMETABLE 2020/21**

- 8 The MHCLG are currently consulting with authorities and auditors on proposed amendments to the Accounts and Audit Regulations 2015 for the timetable on the publication of draft and audited 2020/21 accounts. This proposes that authorities have a target date of 1 August 2021 to publish draft accounts and of 30 September 2021 to publish their audited accounts.
- 9 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 timetable has assumed a date of late June for the approval and publication of the draft statement of accounts and deadlines have been built around this. The date of the external audit is still to be finalised, but the auditor has confirmed there will not be an interim audit, usually completed in March, and that all their testing will be done during the final audit.

The key dates for Members to note are:

- 25 February 2021 External Audit Plan and Accounting Policies and timetable approved;
- 28 May 2021 draft accounts submitted for Audit;
- 24 June 2021 Audit Committee to sign-off draft accounts; and
- 30 September 2021 provisional date for publication of the 2020/21 accounts.

#### **ACCOUNTING JUDGEMENTS AND ASSUMPTIONS**

- 10 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.
- 11 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 2020/21 financial year represents the second year of the five year valuation cycle, 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 2021.

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.

- 12 Under its Land & Property Strategy the Authority has taken decisions to declare certain parts of its land portfolio as surplus to Park 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**

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

### **FINANCIAL IMPLICATIONS**

- 14 The fee agreed by Public Sector Audit Appointments Ltd (PSAA) for 2020/21 is £14,337. The PSAA have however, indicated that whilst they have set the scale fee at the same level as for 2019/20, they do not expect the final audit fee to remain at that level for a variety of change factors, the impact of which cannot be accurately or reliably estimated at this stage. It is their view that it would also be inappropriate to apply a standard increase to all authorities given the differing impact of these changes between bodies.

The external auditor will set out any additional fee requirements as part of his plan.

### **HUMAN RESOURCE IMPLICATIONS**

- 15 There are no human resource implications arising directly from the recommendations in this report. However additional officer time is required to establish the TIA requirements

### **LEGAL IMPLICATIONS**

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

### **RISK MANAGEMENT IMPLICATIONS**

- 17 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 and could 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  
MHCLG                Ministry of Housing, Communities and Local Government  
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 2020/21 financial year and its position at the year-end of 31 March 2021. 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 2020/21, 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 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 (e.g. 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 employer's contributions are 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 cashflow 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 (e.g. 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 (i.e. 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 (e.g. 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 (i.e. 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 are 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.

<b>Asset class</b>	<b>Useful economic life</b>
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 (e.g. 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.

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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Date	Task	Contact	Contact2	Completed	Comments
16/02/2021	Review Accounting Policies and Assumptions	KK		15/02/2021	
17/02/2021	Revenue Outturn P10/2021	KK		17/02/2021	
	Capital Outturn P10/2021	KK		17/02/2021	
19/02/2021	Issue Instruction to Pension Valuers	KK		19/02/2021	
25/02/2021	Audit Committee (Authority)	KK	EY		Accounting Policies & Assumptions / Audit Plan
	Executive Committee (Authority)	KK			Q3 Revenue/Capital Outturn
26/02/2021	Review Finance Leases	KK			
	Review Guidance Notes	KK			
01/03/2021	Draft Instructions issued to Valuers	KK / MW	ME		
04/03/2021	Issue Guidance Procedures for New Year	MK / KK			
05/03/2021	Circulate Members Declarations	SB			
	Circulate Related Party Transactions memo	PK			
	Issue Guidance Procedures for Financial Year End	MK / KK			
08/03/2021	Final Accounts Workshop One Day 8-12 March 2021	KK	EY		via Teams
10/03/2021	Revenue Outturn P11/2021	KK / MK			
	Capital Outturn P11/2021	KK / MK			
11/03/2021	Write off Meeting	KK / LR / MK / TG			
25/03/2021	Executive Committee (Authority)	KK			
31/03/2021	Aged Creditors listing produced	KK / TG			
	Aged Debtors listing produced	KK / TG			
	Draft Governance Report	KK	EY		Copy to SD/BF to review
	Draft Narrative Statement	KK	EY		Copy to SD/BF to review
	Draft Statement of Responsibilities	KK	EY		Copy to SD/BF to review
	Insurance Suspense Cleared [6861]	KK / LR			
	Interim Audit (Authority)				No Interim Audit Planned for 2020/21
	Reconcile Ride To Work Scheme codes	KK			
	Reconcile Season Ticket Loans	KK			
	Return of Holiday Statements	All Employees			
	Review Financial Statements Templates	KK			
	Service Tenancies charged to services	KK / MW			
01/04/2021	Fixed Assets Impairment Review	KK / MW	ME		Full Revaluation
	Interest accrual - Investments	KK			
02/04/2021	Good Friday bank holiday				
05/04/2021	Easter Monday bank holiday				
06/04/2021	Review Outstanding Orders Listings	All			Leave Purchase Open extra week
07/04/2021	All Weekly Returns Posted to Old Year	JS / TG			
	Deadline for receipt of all Creditor/Debtor/PIA/RIA Sheets	All			
08/04/2021	Provision for Bad Debts posted	KK			
09/04/2021	All other deposits reconciled	JS / MK			
	Cash balances at 31 Mar agreed and reconciled	MK			
	Key Deposits reconciled	JS / MK			No Key Deposits held by Authority
	Livery Deposits reconciled	JS / MK			No Livery Deposits held by Authority
	Minutes of Write off Meeting	LR / TG			
	Mooring Deposits reconciled	JS / MK			No Mooring Deposits held by Authority
	Petty Cash Returns Posted	DR			
	All notified Debtors by 31 March Released on Sales Ledger	TG			
12/04/2021	Revenue Outturn P12/2021	KK / MK			to 31/03/2021
	Capital Outturn P12/2021	KK / MK			to 31/03/2021
13/04/2021	Last day for Invoices (M12) on Payments System	JS / DR			
15/04/2021	Insurance Fund Reconciled	KK			
16/04/2021	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			
	Deadline for Input of all Creditor Sheets	MK			
	Inland revenue payment, Payroll	LR			
	PAYE and NI suspense cleared	LR			

Date	Task	Contact	Contact2	Completed	Comments
	Payroll P35 Agreed	LR			
	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			
	Stock Adjustments Posted	KK			Farm only
	Superannuation reconciled	LR			
29/04/2021	Authority (Authority)	KK			Write Offs
	Executive Committee (Authority)	KK			
	Members Declarations Returned	SB			
30/04/2021	Confirm all Pd 12, 13, 01 payments in correct year	MK / KK			
	Provisional Treasury Management Review (Draft)	KK			
	Review Pension Valuation From Actuaries	KK			
	VAT Partial Exemption Calculation	KK			
	VAT Return complete, and Accounts Reconciled	KK			
03/05/2021	Early May bank holiday				
06/05/2021	Debt w/o on System	KK			After Authority Committee
	Review Draft Figures for MT	KK			
07/05/2021	Agree all closing/opening balances	KK / MK			
	All Revenue Accounts checked	KK			
	Interim Provisional Outturn to MT	KK / MK			
	Post Pension Transactions	KK			
	Provisional Outturn Capital Report (Draft)	KK			
	Provisional Outturn Revenue Report (Draft)	KK			
	Revenue Outturn P13/2021 Draft	KK / MK			
	Capital Outturn P13/2021 Draft	KK / MK			
14/05/2021	Glossary	KK			
	Non Current Assets Reconciled	KK			
	Post Impairments to Non Current Assets	KK			
	Post Revaluations to Non Current Assets	KK			
	Production of Core Statements	KK			
	Run and Post Depreciation	KK			
21/05/2021	Data Analytics (Q4) to E&Y	KK			Subject to confirmation by EY
	Narrative Report	KK			
	Management Review of Working Papers	KK / SMT			
	Production of Supporting Notes	KK			
	Variance Analysis report	KK			
26/05/2021	Production of draft unaudited accounts	KK			
27/05/2021	Executive Committee (Authority)	KK			Q4 Revenue/Capital Outturn
28/05/2021	Draft accounts submitted for audit	KK	EY		
31/05/2021	Spring bank holiday				
24/06/2021	Audit Committee (Authority)	KK	EY		Approval of draft 2020/21 accounts
	Executive Committee (Authority)	KK			
30/08/2021	Summer bank holiday				
23/09/2021	Audit Committee (Authority)	KK	EY		
30/09/2021	Statutory Deadline for Publication of Financial Statements				Provisional Date - subject to MHCLG confirmation
TBC	Publication of Notice of Commencement of Period of Exercise of	KK			Subject to confirmation
TBC	Start of Period for the Exercise of Public Rights	KK			Subject to confirmation
TBC	End of Period for the Exercise of Public Rights	KK			Subject to confirmation
TBC	Final Accounts Audit (Authority) - Start	(blank)	EY		Provisional Dates - subject to EY confirmation
TBC	Final Accounts Audit (Authority) - End	(blank)	EY		Provisional Dates - subject to EY confirmation
TBC	Conclusion of Authority audit & issue of draft Audit Report	(blank)	EY		Subject to confirmation by EY

## **RISK REGISTER 2020/21**

Presented by the Corporate Director (Sports & Leisure)

### **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 risk management strategy and corporate risk register assists Members in their consideration and approval of the Annual Governance Statement as a key part of the financial statements. 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-registers at Appendices B and C 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 the 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 October 2020 (Paper AUD/113/20).
- 10 Since the October Committee officers have incorporated approved Member revisions, reviewed the register, considered potential new risks and the scoring. This includes the risk sub register that 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. Further impacts of the Covid-19 pandemic had been included within the current Risk Register but a sub risk register was populated to specifically review these impacts. This is attached as Appendix C 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.

Risk	Residual Risks 20 June 2019	Residual Risks 19 September 2019	Residual Risks 27 February 2020	Residual Risks 25 June 2020	Residual Risks 22 October 2020	Residual Risks 25 February 2021
	3	2	3	5	5	4
	9	9	7	7	7	10
	7	8	9	8	8	8
Total Risks	19	19	19	20	20	22
Notional Score	479	462	478	599	581	602

- 12 The key point to note since the last review of the register is the overall increase in the corporate risk register residual notional score. Although several of the original risks have shown a reduction, additional risks have been added to the risk register as a result of the current Covid-19 situation. The operational and financial risks from the LSC Contract Retender (SR9) have decreased after the withdrawal of the legal challenge from Lee Valley Leisure Trust Ltd and satisfactory progress with Greenwich Leisure Ltd towards the contract initiation. This is also reflected within the LSC sub register where some of the individual risks are showing an improvement. Some uncertainty still exists, however, as a result of the Covid-19 situation resulting in a further delay, currently to October 2021, to the commencement of the LSC contract. Decisions taken to mitigate these risks have been approved by full Authority and monitoring of these risks is taking place at each Executive Committee, Senior Management and officer level.
- 13 A verbal update will be presented at Committee to advise Members regarding progress of the LSC sub register. There are still continued financial and operational risks caused by the Covid-19 pandemic and its effects on the Authority's business and flow of income. Changes to the register are in red font to indicate changes since the last Audit Committee risk register paper and the changes due to risks within SR9 and the sub-registers are also highlighted red.

## **ENVIRONMENTAL IMPLICATIONS**

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

## **EQUALITY IMPLICATIONS**

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

## **FINANCIAL IMPLICATIONS**

- 16 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 AGS published within the annual accounts and approved by this Committee.
- 17 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.
- 18 Due to the impact of the Covid-19 pandemic, an emergency budget was approved by Members in May 2020 at Executive Committee (Paper E/674/20) following a briefing paper to full Authority on the budget implications in April 2020. The impact of Covid-19 will have a long term effect on both the Authority and other businesses and will require close monitoring of the Authority's cash reserves over the coming year as well as being an important factor in the 2021/22 budget/levy setting process and for the medium term financial plan.

## **HUMAN RESOURCE IMPLICATIONS**

- 19 The additional human resource implications arising directly from this report have been outlined within the sub risk register actions and can be met from existing employee resources.

## **LEGAL IMPLICATIONS**

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

## **RISK MANAGEMENT IMPLICATIONS**

- 21 These are dealt with through the main body of the report and through the revised register. Covid-19; the Ice Centre; the Picketts Lock development; the LSC retender projects; and the implementation of the Land & Property Strategy are recognised as 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 a Corporate Work Programme for 2021/22 followed by a revised approved Business Plan. In addition, the Authority will review the updated National Risk Register (2020) to consider any relevant implications that could impact on the business of the Authority as a whole.

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## **BACKGROUND REPORTS**

Lee Valley Regional Park Authority Risk Management Strategy June 2018

## **PREVIOUS COMMITTEE REPORTS**

Audit Committee	AUD/113/20	Risk Register 2020/21	22 October 2020
Audit Committee	AUD/111/20	Risk Register 2020/21	25 June 2020
Executive Committee	E/674/20	Emergency Budget 2020/21	21 May 2020
Audit Committee	AUD/106/20	Risk Register 2019/20	27 February 2020
Audit Committee	AUD/104/19	Risk Register 2019/20	19 September 2019
Audit Committee	AUD/101/19	Risk Register 2019/20	20 June 2019
Audit Committee	AUD/97/19	Risk Register 2018/19	14 February 2019
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	2020/21 Corporate Risk Register – Authority
Appendix B	2020/21 Sub Register LSC tender (SR9)
Appendix C	2020/21 Sub Register Covid 19 Pandemic
Appendix D	Risk Scoring Criteria (extract from the approved risk management strategy (June 2018)).

## **ABBREVIATIONS**

LSC	Leisure Services Contract
AGS	Annual Governance Statement

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STRATEGIC RISK REGISTER AS AT 25 FEBRUARY 2021

Table with columns: Risk ID, Risk Description, Risk Rating, Status, Frequency, Impact, and Mitigation Strategy. Rows include SRS.1, SRS.2, SRS.3, SRS.4, SRS.5, SRS.6, SRS.7, SRS.8, SRS.9, SRS.10, SRS.11, SRS.12, SRS.13, SRS.14, SRS.15, SRS.16, SRS.17, SRS.18, SRS.19, SRS.20, SRS.21, SRS.22, SRS.23, SRS.24, SRS.25, SRS.26, SRS.27, SRS.28, SRS.29, SRS.30, SRS.31, SRS.32, SRS.33, SRS.34, SRS.35, SRS.36, SRS.37, SRS.38, SRS.39, SRS.40, SRS.41, SRS.42, SRS.43, SRS.44, SRS.45, SRS.46, SRS.47, SRS.48, SRS.49, SRS.50, SRS.51, SRS.52, SRS.53, SRS.54, SRS.55, SRS.56, SRS.57, SRS.58, SRS.59, SRS.60, SRS.61, SRS.62, SRS.63, SRS.64, SRS.65, SRS.66, SRS.67, SRS.68, SRS.69, SRS.70, SRS.71, SRS.72, SRS.73, SRS.74, SRS.75, SRS.76, SRS.77, SRS.78, SRS.79, SRS.80, SRS.81, SRS.82, SRS.83, SRS.84, SRS.85, SRS.86, SRS.87, SRS.88, SRS.89, SRS.90, SRS.91, SRS.92, SRS.93, SRS.94, SRS.95, SRS.96, SRS.97, SRS.98, SRS.99, SRS.100.



COVID-19 PANDEMIC SUB RISK REGISTER AS AT 25 FEBRUARY 2021

SR#	Risk Description	Impact	Priority	Current Status	Responsible Party	Frequency	Start Date	End Date	Progress	Notes	Dependencies	Other Info
SR2.1	Failure to comply with Covid-19 legislation	Health and Safety requirements not met	High	Red	Health and Safety Committee	Monthly	6/2/21	31/1/22	12	Health and Safety Committee reports to H&S on monthly basis. H&S reports to the Board. H&S reports to the Board. H&S reports to the Board.	Health and Safety Committee	Health and Safety Committee
SR2.2	Contractors, Governing Bodies not delivering agreed objectives/business due to limitations imposed by Covid-19 legislation	Delays in delivery of services	Medium	Yellow	Contract Management	Weekly	7/6/21	31/1/22	28	Contract Management reports to the Board. Contract Management reports to the Board.	Contract Management	Contract Management
SR2.3	Management of Facilities Contracts & Failure to maintain to a good H&S and operational standard	Health and Safety risks	High	Red	Facilities Management	Weekly	9/5/21	31/1/22	18	Facilities Management reports to the Board. Facilities Management reports to the Board.	Facilities Management	Facilities Management
SR2.4	Investigate IT, Infrastructure/ Systems/IT support due to staff shortages imposed by budget process	IT support issues	Medium	Yellow	IT Support	Weekly	8/6/21	31/1/22	35	IT Support reports to the Board. IT Support reports to the Board.	IT Support	IT Support
SR2.5	The Authority have insufficient staff at all levels available to respond to business demands due to furloughing staff	Business demands not met	High	Red	HR	Weekly	8/8/21	31/1/22	28	HR reports to the Board. HR reports to the Board.	HR	HR
SR2.6	The Authority have insufficient staff at all levels due to impact of "furlough" resulting in staff being unable to perform duties on a long term basis	Business demands not met	High	Red	HR	Weekly	9/8/21	31/1/22	28	HR reports to the Board. HR reports to the Board.	HR	HR
SR2.7	Financial Risks of need/under spent budget through non-achievement of income targets due to closures imposed by Covid-19 pandemic. Insufficient Resources to meet objectives while using financial reserves	Financial risks	High	Red	Finance	Weekly	9/9/21	31/1/22	72	Finance reports to the Board. Finance reports to the Board.	Finance	Finance
SR2.8	Impact on the Authority's powers to raise the Levy and maintain the levy contribution contracts with changes caused by Covid-19 restrictions on their budgets	Levy issues	High	Red	Levy Management	Weekly	9/9/21	31/1/22	9	Levy Management reports to the Board. Levy Management reports to the Board.	Levy Management	Levy Management

COVID-19 PANDEMIC SUB RISK REGISTER AS AT 25 FEBRUARY 2021

SL No	Risk	Impact	Severity	Frequency	Control	Residual	Score	Priority	Responsible Party	Key Deliverables	Timeline	Notes
SR1	Impact on Authority's operations due to services failure. Risk arises from Covid-19 pandemic, disrupted contractor relationships.	High	High	High	Medium	Medium	35	High	IT, HR, Finance, Operations	<ul style="list-style-type: none"> <li>Identify critical services and ensure redundancy.</li> <li>Review contracts for force majeure clauses.</li> <li>Establish communication protocols.</li> <li>Conduct regular check-ins with contractors.</li> </ul>	Q1 2021	<ul style="list-style-type: none"> <li>Review of contracts for force majeure clauses completed.</li> <li>Communication protocols established.</li> <li>Check-in schedule with contractors implemented.</li> </ul>
SR2	Failure to manage contractor relationships. Risk arises from Covid-19 pandemic, disrupted contractor relationships.	High	High	High	Medium	Medium	35	High	IT, HR, Finance, Operations	<ul style="list-style-type: none"> <li>Identify critical services and ensure redundancy.</li> <li>Review contracts for force majeure clauses.</li> <li>Establish communication protocols.</li> <li>Conduct regular check-ins with contractors.</li> </ul>	Q1 2021	<ul style="list-style-type: none"> <li>Review of contracts for force majeure clauses completed.</li> <li>Communication protocols established.</li> <li>Check-in schedule with contractors implemented.</li> </ul>
SR3	Failure to manage contractor relationships. Risk arises from Covid-19 pandemic, disrupted contractor relationships.	High	High	High	Medium	Medium	35	High	IT, HR, Finance, Operations	<ul style="list-style-type: none"> <li>Identify critical services and ensure redundancy.</li> <li>Review contracts for force majeure clauses.</li> <li>Establish communication protocols.</li> <li>Conduct regular check-ins with contractors.</li> </ul>	Q1 2021	<ul style="list-style-type: none"> <li>Review of contracts for force majeure clauses completed.</li> <li>Communication protocols established.</li> <li>Check-in schedule with contractors implemented.</li> </ul>
SR4	Failure to manage contractor relationships. Risk arises from Covid-19 pandemic, disrupted contractor relationships.	High	High	High	Medium	Medium	35	High	IT, HR, Finance, Operations	<ul style="list-style-type: none"> <li>Identify critical services and ensure redundancy.</li> <li>Review contracts for force majeure clauses.</li> <li>Establish communication protocols.</li> <li>Conduct regular check-ins with contractors.</li> </ul>	Q1 2021	<ul style="list-style-type: none"> <li>Review of contracts for force majeure clauses completed.</li> <li>Communication protocols established.</li> <li>Check-in schedule with contractors implemented.</li> </ul>

Score 48-51 High Risk  
Score 28-42 Medium Risk

LEISURE SERVICE CONTRACT SUB RISK REGISTER AS AT 07 JANUARY 2021

ID	Category	Issue	Impact	Priority	Assessed	Pos.Score	Weight	Confidence	Key Info	Frequency	Impact	Effort	Complexity	Dependencies	CD/SBL	Current Status	Notes
SR1.1	Legal	8	DCEO	7	9	65	5	1	5	5	1	5	5	1	CD SBL	Members received and approved report on their increased workload and requested highest cover	
SR1.2	Process	8	DCEO	7	8	56	5	2	10	5	2	10	5	2	CD SBL	Preferred Contractor selected and approved by members. Legal challenge to award process has been withdrawn and final contract awarded. Members have decided to aim for an April 2021 start date. Overall relocation will proceed this subject to a start date of 1st October in the current program	Preferred Contractor selected and approved by members. Legal challenge to award process has been withdrawn and final contract awarded. Members have decided to aim for an April 2021 start date. Overall relocation will proceed this subject to a start date of 1st October in the current program
SR2.1	Contractual	8	DCEO	7	8	56	9	7	63	5	7	63	9	7	CD SBL	Members submitted the temporary (Trove) book in-house due to the legal challenge and with the new contract can be replaced. There are no contract negotiations being progressed with any of the contractors. There is a proposal for a new contractor to be appointed in 2021. There is a proposal for a new contractor to be appointed in 2021. There is a proposal for a new contractor to be appointed in 2021.	Members submitted the temporary (Trove) book in-house due to the legal challenge and with the new contract can be replaced. There are no contract negotiations being progressed with any of the contractors. There is a proposal for a new contractor to be appointed in 2021. There is a proposal for a new contractor to be appointed in 2021. There is a proposal for a new contractor to be appointed in 2021.
SR2.2	Facilities	8	HoF	6	6	36	6	4	24	5	4	24	6	4	HoF	Q4 2020 monitoring report to Executive. 29/9/20. Q1 2021/21 LSC monitoring report to Executive 24/2/21 and current program to commence in 2021. There is a proposal for a new contractor to be appointed in 2021.	Q4 2020 monitoring report to Executive. 29/9/20. Q1 2021/21 LSC monitoring report to Executive 24/2/21 and current program to commence in 2021. There is a proposal for a new contractor to be appointed in 2021.
SR2.3	Management	8	DCEO	9	4	36	5	3	15	5	3	15	5	3	HoF	Next year capabilities identified and compared with all monthly meetings will be completed. Monthly meetings will be completed. Monthly meetings will be completed. Monthly meetings will be completed.	Next year capabilities identified and compared with all monthly meetings will be completed. Monthly meetings will be completed. Monthly meetings will be completed. Monthly meetings will be completed.
SR3.1	Infrastructure	8	HoF	7	5	35	7	4	28	5	4	28	7	4	HoF/SMIT	New contractor selected based on response and members available to transfer systems and software licenses. Contractor should not be relying on UKRA staff. Staff should not be relying on UKRA staff. Staff should not be relying on UKRA staff.	New contractor selected based on response and members available to transfer systems and software licenses. Contractor should not be relying on UKRA staff. Staff should not be relying on UKRA staff. Staff should not be relying on UKRA staff.
SR3.2	Support Services	8	HoF	7	8	56	6	1	6	5	1	6	6	1	HoF	Support Services decommissioning complete.	Support Services decommissioning complete.
SR3.3	Contractual	8	DCEO	8	6	48	7	3	21	5	3	21	7	3	HoF/SMIT	Confirmation to moving additional contracts or replacing existing resources in terms of availability for the support services required to operate the LSC system before contract commencement date.	Confirmation to moving additional contracts or replacing existing resources in terms of availability for the support services required to operate the LSC system before contract commencement date.

LEISURE SERVICE CONTRACT SUB RISK REGISTER AS AT 07 JANUARY 2021

SRK	SRK Description	SRK Owner	SRK Status	SRK Rating	SRK Category	SRK Details	SRK Impact	SRK Mitigation	SRK Review Date	SRK Reviewer	SRK Status	SRK Details	SRK Impact	SRK Mitigation	SRK Review Date	SRK Reviewer	
SRK.1	<b>Financial Management</b> Financial risks of failure to enter into contract by 31st date of April 2021, and Authority to continue operational control of venues.	NAF	High	9	6	54	9	6	54	9	6	54	9	6	54	30/09/2019	CD SBL
						Authority monitoring Meetings Joint Board Meetings 6am Minimum Revenue Policy Statutory Power to Levy											
SRK.2	<b>Contractors &amp; Suppliers</b> Contractor fails to provide the governance structure and leadership to deliver the statutory, financial and best practice requirements of the contract.	CEO	High	7	7	49	7	2	34	7	2	34	7	2	34	30/11/2019	CEO
						Authority/Contractor SMT meetings Joint Chairs meetings LSC contract Performance Monitoring Compliance with statutory bodies e.g. Charities Commission/Company law											
SRK.3	<b>Reputation/Communications</b> Reputational risk 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	CD SBL	High	7	7	49	5	2	10	7	2	10	5	2	10	31/05/2019	CD SBL
						External Consultants Employed (SIC) to support in-house legal specialists and Authority SMT Authority Governance structures Authority Legal Team PR Contracts team Internal/External auditors											
SRK.4	<b>Business Continuity</b> Inadequate business continuity implementation during procurement phase and during mobilisation of new contract.	CEO	High	7	7	49	5	4	20	7	4	20	5	4	20	Quarterly Monitoring	CD SBL
						Emergency Action Planning IT Disaster Recovery Plan Business Interruption Insurance Adoptive Cover arrangements exist for Senior Management Site BCP & Management Plans Joint GLU/Authority Training Insurance Policies/Funds General Reserves H&S Audits Support Services Decoupling IT/HR/Finance											
SRK.5	<b>Major Business Decisions</b> Leisure Services Contract Bidder Failure in Strategic bids 1-7 above in the remainder of the Leisure Services Contract	CEO	High	9	5	45	9	6	54	9	6	54	9	6	54	31/10/2019	CEO
						Legal Advice Procurement Regulations Medium Term Financial Plan Bidding PR/Comms External Consultants Member Steering Group Market Engagement Specification SMT membership											
SRK.6	<b>Leisure Services Contract Bidder Failure to appoint contractor for new Leisure Service Contract.</b>	CEO	High	9	5	45	9	5	45	9	5	45	9	5	45	30/11/2019	CEO
						Legal Advice Procurement Regulations External Consultants Member Steering Group Procurement regulations diligently followed through process											

Score 45-61 High Risk  
Score 35-44 Moderate Risk  
Score 5-34 Low Risk

## 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.

	<b>Impact</b>	<b>Likelihood</b>
<b>1</b>	No impact	<1% likely to occur in next 12 months
<b>2</b>	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
<b>3</b>	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
<b>4</b>	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
<b>5</b>	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
<b>6</b>	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
<b>7</b>	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
<b>8</b>	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
<b>9</b>	Financial loss above £1 million or major impact at strategic level or closure/transfer of business	>80% likely to occur in next 12 months