ANNUAL GOVERNANCE STATEMENT 2015/16

1. SCOPE OF RESPONSIBILITY

1.1 The Lake District National Park Authority (the Authority) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. We also have a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, we are responsible for putting in place proper arrangements for the governance of our affairs, facilitating the effective exercise of our functions, including arrangements for managing risk. We maintain, and seek further improvement to, high standards of stewardship and service delivery.

1.2 We have approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government, which has been reviewed during the financial year. The code explains how the Authority operates, how decisions are made and the procedures followed to ensure they are efficient, transparent and accountable. A copy of the code is on our website at www.lakedistrict.gov.uk or can be obtained from the Authority's Director of Communication and Resources.

This statement explains how the Lake District National Park Authority has complied with the code and meets the requirements of the Accounts and Audit (England) Regulations 2015 insofar as they require an Annual Governance Statement to be produced and published alongside its statutory accounts.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

2.1 The governance framework comprises the systems and processes, and culture and values, by which we are directed and controlled. It also includes our activities to lead and engage our communities and which enable those communities to hold us to account. Our governance framework enables us to monitor the achievement of our strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

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

3.1 The key elements of the systems and processes that comprise the Authority’s governance arrangements set are out below:-

3.2 Communicating the Vision and Intended Outcomes for Service Users

3.2.1 The 2030 Vision for the National Park is clearly articulated for service users and partners in our significant policy documents, such as the Business Plan, the Partnership’s Plan and the Local Plan and in all corresponding public documentation. In the Business Plan this is developed further to include clear priorities for service delivery under each theme of the Vision and clearly identified actions that we will undertake to support the delivery of the Vision.

3.3 Reviewing the Delivery of the Vision

3.3.1 The Lake District National Park Partnership is the key strategic partnership for the National Park. It has a common vision (The Vision for the National Park) agreed formally by all active partner organisations and supported by a clear partnership protocol and performance indicators.

3.3.2. The Partnership’s Plan was originally agreed in September 2010 but has since been subject to a significant review, including appreciation of the process to seek nomination for World Heritage Site Status. The most recent revision of the Partnership’s Plan was adopted in December 2015 as the nomination document for World Heritage Site inscription. The Plan further strengthens the golden thread with better alignment of resource priorities. Our monitoring framework for the Partnership’s Plan ensures progress towards its delivery can be managed effectively by the Partnership. We also identify the key risks to the delivery of the Partnership’s Plan and the associated management actions to support its effective delivery.

3.3.3 Our rolling 3-year Business Plan is developed and reviewed annually in the light of the Partnership’s Plan to ensure we deliver our contribution to the Vision and Partnership’s Plan in partnership with others. This ensures that our resources and those of our partners are used in the most effective and co-ordinated way to deliver the Vision and prevent duplication and waste.

3.4 Translating the Vision through Effective Partnership Working

3.4.1 We are committed to improving the effectiveness of partnership working, and understand that key aspects of the delivery of the Vision depend on successful partnership work. This is reflected in our organisational strategy, which we refined as part of the 2016 - 2019 Business Planning process, and in our annual Service Plans. Our financial regulations set out the principles of effective management of resources when working in partnership, including the setting of clear objectives and the management of financial and delivery risks.

3.5 Measuring the Quality and Effectiveness of Service Delivery

3.5.1 Our service planning processes ensure that services are developed to dovetail with the Partnership’s Plan and Business Plan and that there is a clear link between the Vision for the National Park and outcomes for service users.
3.5.2 We measure the effectiveness of our service delivery through the performance management framework; which includes effective service quality measures for our key front line services. Our Strategic Leadership Team now monitors service delivery, financial performance and risk on a monthly basis. Our Resources Committee monitors our performance, corporate risks and challenges the effectiveness of service delivery. Member reporting has also been improved to focus more closely on capital projects and commercial performance. We have improved the way we collect data and report on Volunteer satisfaction, securing a 93% rating amongst our Volunteers in terms of feeling valued for the contributions they make.

3.5.3 Budget holders are required to demonstrate value for money in the use of resources and our external auditors conduct an annual value for money assessment to determine our effectiveness in this area.

3.6 Roles, Responsibilities, Behaviours and Decision Making

3.6.1 The Authority Handbook contains clearly documented roles and responsibilities for the Authority and its standing committees. Member roles and responsibilities are defined in a member role profile that sits alongside the DEFRA profile.

3.6.2 We have reviewed our Local Code of Corporate Governance to ensure that it remains current and relevant as a basis for the control and assessment of our Governance arrangements.

3.6.3 Over the last few years we have refined our governance arrangements to improve public accountability and ensure that members are used strategically. In addition to previous reductions in the size of our Membership, DEFRA undertook further consultation on governance arrangements for this Authority in relation to the recent boundary change and concluded that our Membership should remain unchanged at 20.

3.6.4 During 2015/16 we consolidated our new management structure and, following our Defra grant settlement, set a balanced budget for 2016/17 with projections for balanced budgets in future financial years through to 2019/20.

3.6.5 Officer responsibilities are defined through their role profiles. Delegations are clearly defined in our Scheme of Delegation which is reviewed in June each year. Supplementing these, we have defined competencies for each role, a clear set of values and behaviours that staff are expected to follow, and an officer code of conduct to set out minimum standards expected of officers which is guided by our values. Our performance appraisal system for staff considers all aspects of an individual’s performance; including: delivery of objectives, values and behaviours, competencies and teamwork.

3.6.6 We have effective staff / member communication tools in the work of committees, away hours, Distinctive Area Tours and joint training events and through our daily Intranet (Touchstone) and weekly (“Snapshot”) electronic communication with members and staff. We also have a financial briefing that is updated monthly and Executive Board road shows and video blogs for more focused communications. These communications are aimed at raising awareness amongst members and staff of the organisation’s work and current issues.
3.6.7 Our 2016 staff survey identifies some positive views and there is a lot to be positive about with 2016 seeing a strong recovery across several key themes, in particular staff morale, job enjoyment, day-to-day management and the organisation being more customer focused. Whilst staff morale has improved, some factors continue to contribute to low morale within our organisation, including low personal work satisfaction; high workloads and the need for more staff consultation / communication. Overall satisfaction across the organisation is good, with 49% giving a score of 8 to 10 (where 10 is totally satisfied), which compares positively against the national average of 36% (source Vision One Research). Willingness to recommend the organisation as an employer is reasonably good with 40% giving a score of 8 to 10 (where 10 is very likely to recommend), compared with the national average of 31% (source Vision One Research). We will work through the survey results with staff in detail and design appropriate measures to positively respond to any remaining issues (significant governance issue).

3.6.8 Our response to the flooding damage caused by storm Desmond was well managed with senior officers working as part of a county-wide, multi-agency response. Changes to planned service delivery and the planned use of financial resources were controlled and managed effectively.

3.7 Effective Financial and Risk Management

3.7.1 We operate a strong financial management framework and this is recognised by our external auditors. We have taken a strategic approach to managing the reductions previously made in National Park Grant and, following our recent settlement and the development of our ‘Investing for our Future’ programme, we now project balanced budgets over the medium term.

3.7.2 Our Internal Auditors reviewed aspects of our financial management processes and systems during 2015/16 and reported their findings as discussed in section 4.4 below. There were no instances of fraud or corruption.

3.7.3 Financial regulations and contract standing orders are regularly reviewed to ensure they remain effective in supporting sound internal control. Financial regulations are supported by effective financial procedures and underpinned by the work of internal and external audit.

3.7.4 We operate an effective risk management process, documented in our risk management policy. Corporate risks are owned by named officers; those risks above tolerance are reported with a risk management action plan on a quarterly basis to Resources Committee in order to reduce likelihood or impact. The corporate risk process is well embedded into our governance arrangements and this has helped us to make informed decisions and prioritise work activities; such as the risk on our ability to deliver our Business Plan with greater financial pressures. Our risk register now includes a specific risk in relation to the flood damage caused to rights of way during storm Desmond and the need to secure external funding for repair work.

3.7.6 We strengthened our arrangements for Risk Management during 2015/16 and tested their strength through an Internal Audit review, which resulted an assessment of reasonable assurance with no recommendations for improvement.

3.7.7 We have an effective Governance committee that ensures the implementation of recommendations from our internal and external auditors and considers the effectiveness of our internal control environment.
3.8 Legal and Regulatory Compliance

3.8.1 We ensure compliance with relevant laws and regulations through the attendance at committees and Executive Board of the Authority Solicitor (our appointed deputy Monitoring Officer). All reports must have clearance from a legal perspective before presentation to committee. They must also identify the extent to which the recommendations support our policy framework and the financial consequences of proposed decisions. We have adopted a Monitoring Officer Protocol to consolidate our management practices in this area.

3.8.2 Internal policies and procedures have been based around the legislative and regulatory frameworks appropriate to National Parks – examples include:
- Freedom of Information (FOI) and Environmental Information Regulation (EIR) processes
- Joint equality scheme
- Disciplinary codes
- Whistle blowing procedure
- Internal procedures
- Planning policies
- Staff and Member Codes of Conduct

3.9 Member and Officer Development

3.9.1 All members have access to an annual development meeting with the Chairman to support their individual development with the organisation. This has refined our member development plan. Member training is delivered through away hours, Distinctive Area Tours and other training sessions, all of which are well received by members.

3.9.2 The organisational development strategy 2015-18 has been finalised and a programme of development actions is under way. Corporate training needs for staff and members are identified and delivered as part of our organisational development work. Individual training needs are identified formally through annual performance appraisals and at one to ones. Together with input from our staff survey and other people development work, these will be used to deliver a new competency framework which will support employment processes such as Performance Reviews and recruitment. This work remains critical over the next few years to support us in the delivery of our Organisational Strategy and well managed implementation of the organisational development strategy will be essential (significant governance issue).

3.9.3 Volunteer training needs are delivered according to their role to ensure that volunteers are equipped for the duties they undertake. This has been refined as part of the implementation of the Volunteer Strategy. The 2015-18 Volunteer Strategy is now being delivered and includes improvements to volunteer induction processes.

3.9.4 Project management skills among our more senior members of staff will be critical to the effective delivery of a number of important projects given approval during 2015/16. The development of project management skills in relation to capital projects, systems replacements and income generation schemes will require the prioritisation of project management upskilling in order to ensure projects are delivered on budget, on time and to the required quality (significant governance issue).
3.10 Community Engagement

3.10.1 We have been awarded the Customer Service Excellence Award for the seventh consecutive year. All of our areas were assessed as being compliant with the standard. In addition, we have nineteen areas rated at ‘compliance plus’. The Customer Service Excellence Award also assesses our internal customer services.

3.10.2 We have dedicated resources to provide practical communications with the community and stakeholders to better understand their needs and requirements. Following our structural changes, Distinctive Area Working is now becoming embedded as an approach and this will allow us to better plan in the future for all stakeholders and ensure our Vision is realised at a local level.

3.10.3 As part of our work on Equality and Diversity, we have developed good links with other Cumbrian authorities and diversity partners so that we can work to ensure our services and policies are accessible to all strands of our communities. As part of our organisational development programme, we will maintain training on Equality and Diversity for staff, helping us to better engage with hard to reach groups in the right way.

4. REVIEW OF EFFECTIVENESS

4.1 The Accounts and Audit regulations 2015 require the Authority to conduct, at least annually, a review of the effectiveness of our governance framework including the system of internal control. During 2015/16, the review of effectiveness has been informed by a combination of the following:

- The work of the Authority and its Committees
- The work of Directors and Heads of Service who have responsibility for the development and maintenance of the governance environment
- The work of Internal Audit and the subsequent assurance opinion provided around the Authority’s internal control, governance and risk management systems
- The work of External Audit and other review / inspectorate agencies
- Reviews of the roles of the Governance Committee and the Chief Audit Executive compared to CIPFA guidance
- A review of the Authority’s Local Code of Corporate Governance
- Scrutiny of the draft Annual Governance Statement by the Executive board and the Governance Committee.

4.2 The Authority and Its Committees - The Authority approves a strategic plan, a medium term financial plan, an annual budget and policy framework. It ensures that changes to the policy framework improve or maintain the effectiveness of our governance arrangements.

4.2.1 The Governance Committee is responsible for the effectiveness of the internal control environment. It considers the findings of internal and external audit and ensures that audit recommendations are implemented. It also has powers to undertake investigations on behalf of the Authority and to receive the findings of investigatory reports from officers. During the year the Governance Committee approved amendments to the Internal Audit plan so that governance and Risk Management arrangements could be reviewed. The Governance Committee also contributed to the review of our governance arrangements and additionally, scrutinised the draft Governance statement prior to its presentation with the Authority’s financial statements.
4.2.2 The Resources Committee challenges our performance against our key performance indicators and assesses key corporate risks on an exceptions basis to ensure that sufficient mitigating action is being taken to manage corporate risk. The committee remains attentive to the government grant funding environment and will continue to pay close attention to the need to continue to set balanced budgets over the medium term.

4.2.3 The Standards function is undertaken by the Governance Committee. The committee continues to ensure high standards of conduct by members and during the year advised on revisions to the Code of Conduct. The committee also developed our policy and training on member use of emails in order to comply with data protection and security requirements.

4.3 Directors and Service heads

4.3.1 During the year Directors took part in an annual exercise to review those elements of the control framework relating to their own area of responsibility. Heads of Service contributed to this through their close involvement in Business Planning and Service Planning. Findings from this exercise are reflected in the final Governance statement. The exercise is also used to consider progress against previous ‘Significant governance issues’ and to formalise a position statement of those issues which should be reported at the year end.

4.4 Internal Audit

4.4.1 Internal Audit monitors the effectiveness of the control environment and reports specific recommendations to the Governance Committee. During 2015/16, the Authority’s Internal Auditors undertook 5 specific assignments in addition to follow-up reviews in accordance with the Internal Audit Plan. The areas to be covered by the Internal Audit Plan were determined using a risk-based assessment approach. The Internal Audit Annual Report summarised the findings of the audits undertaken and gave an opinion on the level of assurance that could be taken from their findings.

4.4.2 The Annual Internal Audit Report noted that, reasonable assurance could be provided in 4 areas with limited assurance in the 5th. No significant issues were noted as being outstanding by the follow-up audit reviews. The Head of Internal Audit from Tiaa Ltd, our internal audit providers, gave an overall opinion that the Authority has adequate and effective management, control and governance processes to manage the achievement of its objectives. This assisted the Chief Audit Executive in forming her view on the Authority’s system of internal control.

4.5 External Audit and other review mechanisms

4.5.1 During 2015/16, the Authority’s approved External Auditor; Grant Thornton UK LLP issued an unqualified opinion on the Authority’s 2014/15 financial statements and Value for Money arrangements. Our Auditors were unable to formally conclude the audit because of an objection from a member of the public and we will work closely with our External Auditor to resolve this issue.
4.6 Review of roles of Governance Committee and Chief Audit Executive

4.6.1 We have compared the Authority's Governance Committee with CIPFA guidance on the role of the Audit Committee. It is the Governance Committee which fulfils the Audit Committee function in LDNPA. The review demonstrated that the Governance Committee compared well with established 'best practice' in most regards. The one area where the Authority's arrangements differ from the CIPFA guidance relates to the oversight of Risk Management, which is undertaken by the Resources Committee.

4.6.2 A review was also undertaken to compare the role of the Chief Audit Executive (CAE) with CIPFA guidance on the role of the Head of Internal Audit. The Director of Communications and Resources performs the CAE function at LDNPA. The review showed good compliance against the five main 'headline principles' in the CIPFA guidance.

4.7 Review of the Local Code of Governance

4.7.1 A review of the Authority's Local Code of Corporate Governance has been undertaken as part of the wider review of the effectiveness of the Authority's governance arrangements. That review confirmed that the Code continued to comply with the latest CIPFA guidance in every respect and continued to be fit for purpose.

4.8 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Governance Committee and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

5. Significant Governance Issues

5.1 The significant governance issues that we plan to address during 2015/16 are:

1. We will work through the 2016 survey results with staff in detail and design appropriate measures to positively respond to any remaining issues
2. We will successfully manage the implementation of the organisational development strategy
3. We will prioritise project management upskilling in order to ensure projects are delivered on budget, on time and to the required quality

5.2 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed: 
(Chairman of Governance Committee)

(Chief Executive)

Date: 28/9/16

On behalf of the Lake District National Park Authority