

**Greater London Authority**  
**Annual Governance Statement 2015-16**

## **Contents**

1. SCOPE OF RESPONSIBILITY	3
2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK	4
3. THE GOVERNANCE FRAMEWORK	5
4. LONDON ASSEMBLY SCRUTINY OF GOVERNANCE ISSUES	21
5. EXTANT RISKS AND GOVERNANCE CHALLENGES	22
6. DISCLOSURE	23
APPENDIX A: INTERNAL AUDIT ASSURANCE RATINGS IN 2015-16	24
APPENDIX B: MAYORAL DIRECTIONS ISSUED TO THE GLA'S FUNCTIONAL BODIES IN 2015-16	26
APPENDIX C: GOVERNANCE AND RELATED ISSUES RAISED BY THE ASSEMBLY	29
APPENDIX D: COMMENTARY ON PREVIOUSLY IDENTIFIED GOVERNANCE CHALLENGES	33

## 1. Scope of responsibility

- 1.1. The Greater London Authority (GLA) 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. The GLA also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2. In discharging this overall responsibility, the GLA is responsible for putting in place proper arrangements for the governance of its affairs and for facilitating the effective exercise of its functions, including arrangements for managing risk.
- 1.3. The GLA has a corporate governance framework consistent with the principles of the 2007 CIPFA/SOLACE Framework *Delivering Good Governance in Local Government* (and its 2012 addendum) and two sets of other CIPFA guidance:
  - *Application Note to Delivering Good Governance in Local Government: a Framework*; and
  - *Statement on the Role of the Chief Finance Officer in Local Government*.
- 1.4. This Statement explains how the GLA delivers good governance and meets the requirements of Regulation 6 of the Accounts and Audit Regulations 2015 in relation to the consideration and approval of a statement on internal control. It also describes the most significant work undertaken in the year to review and strengthen governance at the GLA and notes issues arising.
- 1.5. The commitments given in this Statement will be monitored during the course of 2016-17 where appropriate and will be revisited in the GLA's Annual Governance Statement for that year.

## **2. The purpose of the governance framework**

- 2.1. The governance framework comprises the systems and processes, culture and values by which the GLA is directed and controlled as well as the activities through which it accounts to, engages with and leads the community. It enables the GLA to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services – and in accordance with legislative requirements.
- 2.2. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.
- 2.3. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the GLA's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively and economically.
- 2.4. The governance framework has been in place at the GLA for the year ending 31 March 2016 and up to the date of approval of this annual governance statement and statement of accounts.

### **3. The governance framework**

- 3.1. The key elements of the systems and processes that comprise the GLA's governance arrangements reflect the unique nature of the GLA, with a number of agents involved in the delivery of the GLA's objectives. So while this Statement is the GLA's alone – the bodies with which the GLA works have their own governance statements – the GLA's work cannot be viewed in isolation. That is particularly the case in respect of the operations of the GLA Group, encompassing the GLA and its functional bodies. The agents include:
- the executive Mayor and the Mayor's appointed advisors;
  - the London Assembly;
  - the functional bodies and their boards;
  - the officers of the GLA and the functional bodies; and
  - London's local authorities and other external stakeholder organisations.
- 3.2. There is a clear separation of powers within the GLA between the Mayor, who has an executive role and makes decisions on behalf of the GLA, and the London Assembly, which has a scrutiny role and reviews Mayoral policy and decisions. The Assembly is also able to investigate other issues of importance to Londoners, publish its findings and recommendations, and make proposals to the Mayor. The Assembly has a number of committees, with the GLA Oversight Committee, the Confirmation Hearings Committee, the Audit Panel, the Budget and Performance Committee and the Budget Monitoring Sub-Committee having explicit governance roles.
- 3.3. An important aspect of the governance framework within which the GLA operates is the relationship between London government and national government; more specifically the relationship between the GLA and its sponsor department in Whitehall, the Department for Communities and Local Government (DCLG). DCLG has set out how it views the systems governing that relationship by issuing, in October 2012 through its Accounting Officer, an 'Accountability System Statement for the Greater London Authority'. The Statement was issued with the GLA's endorsement and is available via: [www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/128876/2238554.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/128876/2238554.pdf)
- 3.4. The governance documents referred to in this statement can be found in the [governance and spending](#) section of the GLA's website.

#### **Identifying and communicating the GLA's vision of its purpose and intended outcomes for citizens and service users**

- 3.5. The Mayor identifies and communicates his vision and intended outcomes for Londoners and service users through a number of published statutory and non-statutory strategies, programmes and project plans. These are informed by both ongoing and

specific consultation exercises. The GLA uses a number of avenues to publicise and hear the public's views on its strategies and plans, including: its website and social media channels; its Talk London platform; press briefings and press releases; and meetings with stakeholders and agents.

- 3.6. The Mayor's programme forms the basis of an Authority-wide corporate plan, known as the Business Plan. The Business Plan translates the Mayor's ambitions into priorities and actions for the GLA and its constituent units and makes clear who is accountable for what. It is publicised to staff and published for external stakeholders on london.gov.uk. The work of the Assembly and its Secretariat forms part of the plan. Recognising that the May 2016 election would bring a change in administration, the Business Plan for 2015-17 was drafted recognising that the new Mayor would wish to amend the GLA's budget and the priorities and actions captured in the plan.

### **Reviewing the GLA's vision and its implications for the GLA's governance arrangements**

- 3.7. Mayoral strategies are reviewed regularly with reference to both the Mayor's vision and the GLA's operating environment. As circumstances demand, strategies and/or their associated action plans are updated.
- 3.8. There is an annual GLA Group-wide budget setting process. This process, which is subject to scrutiny by the Assembly, as well as consultations with stakeholders, seeks to ensure there are sound medium and longer-term financial plans within which Mayoral priorities and objectives are adequately funded, while recognising areas of risk and uncertainty will inevitably exist.
- 3.9. The 2015/16 budget reflected the then Mayor's vision and ambitions, set out variously in his Vision 2020, the London Infrastructure Plan 2050 and the Long Term Economic Plan for London, among others. The budget and the Mayor's vision and ambitions in turn inform the GLA's Business Plan, which is usually refreshed annually.
- 3.10. The budget included allocations to directorates' central programme budgets to allow the GLA to be responsive to new priorities and to be able to take forward smaller initiatives or urgent projects quickly. Funding was also earmarked to review statutory strategies including research, evidence base and public consultations.
- 3.11. The GLA's governance arrangements are flexed as the vision and the plans that flow from it change so that they are robust but also support delivery. That includes making changes to the GLA's decision, performance and risk frameworks.
- 3.12. The potential for a change in administration demands specific arrangements are put in place to prepare the way for a corresponding change in the GLA's vision to reflect that of the incoming Mayor; and, as part of that, to ensure the Mayor's vision is reflected in refreshed statutory and other strategies. Two parallel but interlinked strands of work

took place in 2015/16 with this in mind. First, the manifestos of the main Mayoral candidates were assessed to determine how each commitment could be delivered, including resource implications, timelines and risks. This fed in to a transition document for the new Mayor, including also a focus on governance and decision making. Second, leads were identified for each of the seven statutory strategies. These leads were tasked with ensuring the GLA was well placed to redraft strategies early in the new Mayorality. An evidence base was developed to inform this work, together with scoping work for impact assessments. Advice was drafted for the Mayor on timings and approach.

**Measuring the quality of services for users, to ensure they are delivered in accordance with the GLA's objectives and to ensure that they represent the best use of resources and value for money**

- 3.13. During 2015-16 the GLA had well-embedded corporate performance management systems which supported and were supported by arrangements at programme and unit levels.
- 3.14. Quarterly financial management information was reported to and reviewed with directors and cost centre managers. Progress against corporate initiatives, key performance indicators and against budgets was formally reported quarterly. Mayoral commitments were tracked. Project reporting was on a monthly basis to the Mayor's Investment and Performance Board (IPB). This was complemented by both regular and exception based reporting to the Mayor and his advisors by senior officials.
- 3.15. The GLA published an annual report and assurances were provided by internal and external auditors on key controls and indicators.
- 3.16. Performance was also managed and monitored at a GLA Group level, again through formal quarterly reports detailing financial and service performance, for each functional body, and through reporting to the Mayor and his team.
- 3.17. In addition to the regular and periodic performance monitoring activities, the Assembly's scrutiny function encouraged constructive challenge and provided impetus for enhancing performance.

**Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the GLA and partnership arrangements**

- 3.18. The Mayor's principal role as the executive of the strategic Authority for London is to promote economic development and wealth creation, social development, and the improvement of the environment. The Mayor has strong executive powers to provide

strategic leadership and a range of duties and responsibilities designed to ensure that the programme on which he was elected can be delivered.

- 3.19. The exercise of Mayoral functions by officers within the GLA is documented in and governed by the Scheme of Delegation. It reserves the required and otherwise appropriate responsibilities to the Mayor and provides managers with the authority necessary to conduct routine business. The Scheme is reviewed and updated periodically and presented at least annually to the Assembly for its information.
- 3.20. There is also a documented Scheme of Delegation in respect of the Head of Paid Service's statutory staffing responsibilities for the GLA. The roles in and the taking of planning decisions is covered by a dedicated scheme of delegation.
- 3.21. The Assembly's committees have published terms of reference and there is a documented Scheme of Delegation for the exercise of Assembly functions within the GLA.
- 3.22. A Corporate Governance Framework Agreement for the GLA Group covers the Group's powers and duties and sets out both the respective roles and responsibilities of each body within the Group and the core governance requirements they are to adhere to. The Framework is currently under review.

#### **Developing, communicating and embedding codes of conduct, defining the standards of behaviour for Members and staff**

- 3.23. The GLA (the Mayor and Assembly acting jointly) has established a Standards regime, under the provisions of the Localism Act 2011, which has been in operation in its current form since 1 July 2012. Within the regime, all complaint-related functions are delegated to the GLA's Monitoring Officer whose role it is also to oversee the GLA's Code of Conduct for elected Members. In addition to handling complaints, the Monitoring Officer is responsible for the framework governing the registration and disclosure of interests and of gifts and hospitality and for providing related advice.
- 3.24. A revised version of the Authority's Gifts and Hospitality Policy was issued in May 2014 following a comprehensive review and having consulted with the Mayor, London Assembly and GLA Group functional bodies.
- 3.25. During 2015/16, details of Mayoral Advisors were available on the GLA website together with their declarations of interest and of gifts and hospitality. This information was also available for senior GLA officer, together with a GLA organogram and details of pay and responsibilities.
- 3.26. The GLA's Protocol for Mayoral Appointments sets down the process by which Mayoral appointments are made and details the conduct requirements for such appointees.



- 3.27. The Monitoring Officer takes the lead, working with the GLA's other statutory officers, to ensure proper use of the Authority's resources. The statutory officers issued a revised Use of Resources guidance in October 2015 and there was a particular focus on the two pre-election periods falling within the year. The Monitoring Officer briefed all staff on the pre-election period towards the end of 2015. He also used the intranet, staff newsletter and met with specific teams. The Mayor's Office and Assembly party groups were similarly briefed. The Use of Resources guidance was supplemented by advice for partners and, as before, was complemented by specific advice pertaining to the use of social media.
- 3.28. Advice on the use of resources in the run up to the EU Referendum was developed, circulated and promoted.
- 3.29. 'Contingency planning for political transition' (see 3.53) documented the roles of senior staff in engaging with prospective Mayor of London and London Assembly candidates in the run up to the May 2016 elections – in line with the Use of Resources guidance.
- 3.30. The GLA has a Code of Ethics and Standards for its staff. The Code seeks to promote the highest standards of conduct in public service and ensure that its standards and statutory obligations are fully met. The Code features prominently in formal induction processes and is published on london.gov.uk.

**Reviewing the effectiveness of the GLA's decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality**

- 3.31. The Mayoral Scheme of Delegation published in June 2015 was the version in force throughout the remainder of the year. A version with factual revisions, made under delegated authority and to reflect departures in the Mayoral team, was published in May 2016.
- 3.32. The spending thresholds in the Scheme remain:
- Delegated Authority Record (DAR) for spending up to £10,000;
  - Assistant Director decision form (ADD) for up to £50,000;
  - Director decision form (DD) for up to £150,000; and
  - Mayoral decision form (MD) for over £150,000.
- 3.33. GLA decision form templates are kept under review and amended as required. Minor changes were made in 2015-16 but the format remained essentially consistent. As such, decision forms continue to mandate that legal and financial advice are included; and also that equalities implications, risks and links to the Mayor's vision are set out.

- 3.34. The GLA's Financial Regulations are an important companion to the Scheme. The Regulations are kept under review and will next be reviewed in 2016/17.
- 3.35. The London Assembly's Scheme of Delegation is reviewed annually and reaffirmed at its annual meeting.
- 3.36. The GLA's most important partnerships are those that exist within the GLA Group. Bodies within the Group have their own decision making arrangements and the Group's Corporate Governance Framework Agreement requires that each organisation codifies these arrangements and reports its decisions.
- 3.37. Where issues of interest to the Mayoral team arise, and which may result in or bear upon a decision, these are flagged by the body in question and discussed. Such discussions may lead to a formal Mayoral delegation or direction. The use of the power of direction is kept under ongoing review and a list of all directions is appended to this Statement.
- 3.38. GLA companies are another avenue through which decisions may be taken. The process is defined by the Mayoral Scheme of Delegation, integrated with the GLA's decision making arrangements, and reviewed periodically alongside the regular review of that document.
- 3.39. For other partnerships the GLA's guiding principle is to ensure that decisions concerning its resources, including resources for which it is accountable, remain subject to the Authority's own decision making processes. The GLA maintains a register of its key partnerships and categorises each according to its decision making role – as defined by the GLA's partnership guidance. Periodically the efficacy of these partnerships is reviewed.
- 3.40. The London Enterprise Panel is one of the GLA's most important partnerships. Although it does not formally take decisions, it does have significant influence over decisions that are ultimately taken by the GLA. The governance of the LEP was reviewed in 2014-15 and the strengthened arrangements have been in force during 2015-16.
- 3.41. The GLA's Use of Statistics Code of Practice and Data Quality Framework (DQF) exist to ensure the GLA produces, makes use of and publishes data which meet widely recognised and exacting standards. The DQF was reviewed and updated at the start of 2014-15 and is reviewed every two years. The Use of Statistics Code will be reviewed in 2016-17.

**Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability**

- 3.42. The GLA's approach to risk management is set out in its Risk Management Framework (RMF). It describes how the GLA realises the benefits of risk management by:

- communicating the value derived from, and the importance the GLA places on, effective risk management;
  - setting out ten principles to underpin the GLA's approach to risk management;
  - highlighting the practices and mechanisms that are at the core of the GLA's risk management framework;
  - being clear about what the GLA expects of its staff – their roles and responsibilities – in managing risk; and
  - providing practical guidance, grounded in best practice, for staff to follow.
- 3.43. The Framework was most recently reviewed and refreshed for March 2015. The review was informed by a prior assessment of the GLA's risk management practices against a risk maturity model. The refreshed RMF includes a new requirement that Executive Directors provide an annual 'risk management assurance statement'. The RMF will be reviewed again before the end of 2016.
- 3.44. The RMF identifies four specific levels, or perspectives, as a focus for GLA risk management: corporate risks; programme risks; project risks and risks associated with decision-making. Mechanisms are embedded to monitor risk at all these levels. In the year, the Corporate Risk Register – concerned primarily with corporate and programme risks – was updated twice and considered by the Corporate Management Team, the Investment and Performance Board and Audit Panel. Project risk was captured and reported as part of regular reports to the Investment and Performance Board; and assessed at the project initiation stage. Risks associated with decisions were outlined on the related decision form. These corporate mechanisms were supplemented by processes at the departmental level.

#### **Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained**

- 3.45. The GLA continues to place a high priority on its anti-fraud work and officers have worked with Internal Audit to identify areas which have the highest potential for fraud. In the year, Internal Audit undertook a follow-up review of the use of corporate charge cards. Of six recommendations made, the review found four had been fully implemented and one partly implemented. One recommendation had not been implemented as a compensating control was identified that mitigated the original risk identified by Internal Audit. The outcome of the review was reported to the Audit Panel.
- 3.46. An allegation of false accounting at a primary school that had received funds from the GLA was received. KPMG and The Home Office conducted an investigation and fraud was not confirmed but a need to improve working practices at the school was.
- 3.47. One case of fraudulent grant funding was being investigated by the Metropolitan Police Service at the time of writing. Two other cases of suspected fraudulent grant funding were under review by Internal Audit. These cases relate to suspected attempts to claim funding without any work being carried out and/or services provided.

- 3.48. Following on from a review of the grant award process in 2014-15, the GLA acknowledged that there was a need to create systems which monitored grant awards across all of its programmes and projects. To address Internal Audit's recommendations, work was initiated to establish a database of organisations in receipt of grants from the GLA, including a data matching exercise. The database will ensure that any issues with a recipient, or prospective recipient, are recorded, providing an audit trail and ensuring issues identified by one part of the business inform decisions made by other parts. The project has taken longer than anticipated, but a specification has been drawn up after speaking to a wide range of stakeholders and the database was expected to be live by October 2016.
- 3.49. The GLA will review and refresh its fraud policy and strategy in 2016-17 and will continue to take a proactive approach to identifying and reviewing areas where the risk of fraud is relatively high.
- 3.50. Internal audit supported the biennial National Fraud Initiative in 2014-15, an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. No issues were identified. The next exercise was scheduled to begin in autumn 2016.

#### **Ensuring effective management of change and transformation**

- 3.51. The GLA's Management of Change procedure provides the framework for dealing with reorganisations and restructures arising from:
- management reviews;
  - the introduction of new or revised working practices;
  - changes to political administration; and
  - changes in the Authority's business or policy priorities.
- The procedure aims to ensure such change is fair, transparent and carried out systematically.
- 3.52. Where changes to the establishment take place, they have are subject to appropriate consultation including with staff, UNISON and the GLA Oversight Committee.
- 3.53. The GLA has robust arrangements for managing projects, programmes and risk, and these are deployed to ensure any major transformation is undertaken effectively. The GLA Elections 2016 are a case in point. There were two related programmes. One to prepare for and administer the elections themselves. The other to prepare for the transition and potential organisational change the elections would bring.
- 3.54. To facilitate the transition, the GLA's transition guidance for candidates and staff was updated and publicised. Briefings were prepared for candidates and the new Mayoral

and Assembly administrations in line with the document. As mentioned above, there was complementary work to analyse Mayoral manifestos and prepare the ground for changes to strategies following the elections. Work was undertaken in advance of the elections too to prepare for the changes in the Mayoral Team and to facilitate wider appointments.

- 3.55. The work was overseen by the Head of Paid Service, who chaired a Transition Working Group. Staff were briefed at mandatory sessions for all directorates and through a dedicated section of the website. These briefings incorporated the Monitoring Officer's advice on the pre-election period.

### **Ensuring the GLA's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)**

- 3.56. CIPFA's Statement on the Role of the Chief Financial Officer lists five principles, set out below together with how the GLA meets each.

- *Principle 1: The Chief Financial Officer in a public service organisation is a key member of the Leadership Team, helping it to deliver and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest*
  - The Executive Director of Resources is the GLA's Chief Financial Officer and was in 2015-16 a member of both the Corporate Management Team (CMT), which met weekly, and the monthly Investment & Performance Board. He also chaired the officer level Governance Steering Group. All Mayoral and Director Decision Forms must be signed by the Executive Director of Resources – an additional check to ensure probity in the GLA's expenditure of public funds.
- *Principle 2: The Chief Financial Officer in a public service organisation must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the organisation's overall financial strategy*
  - As noted above, all MD and DD Forms must be signed by the Executive Director of Resources, ensuring that all material decisions have the input of the GLA's Chief Financial Officer. The decision pro formas include sections on both risks and financial implications. The organisation's financial strategy is overseen by the Executive Director of Resources with the support of the Head of Financial Services and his team. The strategy and its implementation are scrutinised by the Assembly and its Budget & Performance Committee and Budget Monitoring Sub-Committee.
- *Principle 3: The Chief Financial Officer in a public service organisation must lead the promotion and delivery by the whole organisation of good financial management so*

*that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively*

- The Executive Director of Resources is accountable to both the Mayor and the Assembly for the good financial management of the organisation's finances. Value for money is a key principle underlying the GLA's approach and its Chief Financial Officer has led on delivering efficiency programmes, including the shared service and procurement initiatives. The Assembly meets in public and regularly questions the Executive Director of Resources and other senior officials on their stewardship of funds.
- *Principle 4: The Chief Financial Officer in a public service organisation must lead and direct a finance function that is resourced to be fit for purpose*
  - The Executive Director of Resources line manages both the Head of Financial Services (GLA focus) and the Assistant Director of Group Finance (GLA Group focus) under whom the GLA's finance staff sit. Finance staff focus on key priorities such as treasury management, budget monitoring, financial advice and presentation of financial information. The team includes suitably qualified and experienced individuals covering a wide range of technical, GLA and GLA Group financial issues.
- *Principle 5: The Chief Financial Officer in a public service organisation must be professionally qualified and suitably experienced*
  - The role description for the post of Executive Director of Resources requires the post-holder to be a qualified accountant with suitable experience. The current post-holder is a member of CIPFA and has over thirty years' experience of working in public sector finance. There is also significant experience of financial administration in the public sector within the finance team.

### **Ensuring the GLA's assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010)**

3.57. CIPFA's Statement on the Role of the Head of Internal Audit lists five principles, set out below together with how the GLA meets each.

- *Principle 1: The Head of Internal Audit in a public service organisation plays a critical role in delivering the organisation's strategic objectives by championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments.*
  - The GLA's Internal Audit Service is provided by the Mayor's Office for Policing and Crime (MOPAC) and the Head of MOPAC's Internal Audit Function is also Head of Internal Audit for the GLA.
  - The Head of Internal Audit advises senior management and the Audit Panel on the principles of good governance and provides an annual assessment of the

adequacy and effectiveness of GLA governance and risk management arrangements, based on an approved programme of work. Regular meetings are held between the GLA's senior managers and senior representatives of Internal Audit to discuss emerging risks and proposed developments.

- The annual work programme can be amended, in discussion with the Audit Panel, to reflect additional work identified in order to address significant emerging issues.
- *Principle 2: The Head of Internal Audit in a public service organisation plays a critical role in delivering the organisation's strategic objectives by giving an objective and evidence based opinion on all aspects of governance, risk management and internal control.*
  - The Head of Internal Audit provides an objective annual opinion on the adequacy and effectiveness of governance, risk management and internal control to senior management and the Audit Panel. This draws on evidence from an annual work programme, which is reported in the public domain.
  - Internal Audit reviews and the annual audit opinion inform the GLA's Annual Governance Statement and improvement plans.
- *Principle 3: The Head of Internal Audit must be a senior manager with regular and open engagement across the organisation, particularly with the Leadership Team and with the Audit Panel.*
  - The Head of Internal Audit is a senior manager who engages regularly with and attends meetings involving the Corporate Management Team, other senior managers and the Audit Panel. The Head of Internal Audit provides reports to the Head of Paid Service and Chief Finance Officer.
- *Principle 4: The Head of Internal Audit must lead and direct an internal audit service that is resourced to be fit for purpose.*
  - The Head of Internal Audit conducts an annual assessment of resources required to deliver an appropriately scoped and diverse risk based audit plan. Any concerns or issues would be raised with senior management and as required the Audit Panel.
- *Principle 5: The Head of Internal Audit must be professionally qualified and suitably experienced.*
  - The Head of Internal Audit is a member of the Chartered Institute of Internal Auditors and has thirty years' internal audit experience.

### **Ensuring effective arrangements are in place for the discharge of the monitoring officer function**

- 3.58. The GLA's Monitoring Officer works with the Authority's elected politicians and chief officers to promote high standards of ethical conduct.

- 3.59. The Monitoring Officer has specific and formal duties underpinning this role:
- To deal with any alleged breach by the Mayor or Member of the London Assembly of the formal Code of Conduct for GLA Members, and to make decisions as to whether or not any such allegations are valid.
  - To operate the Authority's wider standards regime, including the registration and declaration of interests, gifts and hospitality received.
  - To report to the Mayor and London Assembly on contraventions or likely contraventions by any part of the Authority of any enactment or rule of law.
  - To report on any maladministration or injustice where the Local Government Ombudsman has carried out an investigation into GLA-related matters.
  - Working with the Authority's other statutory officers and the Head of Governance, to provide advice to the Authority on corporate governance matters, including matters relating to the proper use of the Authority's resources.
- 3.60. The Monitoring Officer seeks to be fully transparent in the conduct of his work by: publishing all decisions made on complaints received against Members, providing a public update on all MOPAC-related complaints to each meeting of the Assembly's Police and Crime Committee and by presenting an annual report to the Assembly. The Monitoring Officer's report for 2015-16 can be found at item 11 of the agenda for the 15 March 2016 meeting of the Assembly's Audit Panel.

**Ensuring effective arrangements are in place for the discharge of the head of paid service function**

- 3.61. The Head of Paid Service (HOPS) is the GLA's most senior official and leads the Corporate Management Team. He has the power, after consulting the Mayor and the Assembly, to appoint such staff as he considers necessary for the proper discharge of the functions of the Authority, having regard to the resources available and the priorities of the Authority.
- 3.62. The HOPS cannot sensibly exercise all of those functions falling to the role personally and so has made delegations to other officers in the GLA. These are set out in the HOPS Scheme of Delegations – Staffing. The Scheme is supported by a protocol describing the procedures that should be followed by the HOPS or officers with delegated powers when using the staffing powers vested in the HOPS.
- 3.63. The Assembly has delegated its role as a consultee in this regard to the GLA Oversight Committee. In 2015-16 the HOPS continued to provide regular updates to the Committee on staffing matters and on the Authority's workforce; and to consult with it on proposed changes to the GLA establishment.
- 3.64. The roles of the HOPS and Greater London Returning Officer (GLRO) are vested in the same individual. Appropriate arrangements were in place throughout the year to ensure



the GLRO role was discharged effectively, including: a dedicated budget; a dedicated and formal decision making process (through GLRO decision forms); and a structured programme approach to effectively delivery the 2016 elections. The programme approach was subject to review by Internal Audit in 2015-16.

### **Undertaking the core functions of an Audit Committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities**

- 3.65. The roles and responsibilities of the Audit Committee are discharged, as a function of statute, by the Mayor. He is supported in this regard by the Assembly's Audit Panel.
- 3.66. The Audit Panel has well-established terms of reference, informed by CIPFA guidance. The Audit Panel: provides challenge; raises the profile of internal control, risk and financial reporting; provides a forum for the discussion of issues raised by internal and external auditors; and bolsters transparency. The Panel also monitors the effective development of risk management, whistleblowing, and anti-fraud and corruption policies.
- 3.67. In March 2015 the Audit Panel agreed an improved process for making in-year changes to internal and external annual audit plans. The Panel's Chair and Deputy Chair are now informed in writing of any changes at the first opportunity.

### **Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful**

- 3.68. The GLA's decision-making framework requires compliance with relevant laws, internal policies and procedures, and the GLA's Executive Director of Resources and Head of Governance are responsible for ensuring that appropriate professional advice on finance and legal matters is available and properly recorded.
- 3.69. All payments over £250 are published on the GLA's website along with all Mayoral, Director and Assistant Director decision forms. These arrangements are at the heart of the GLA's transparency arrangements.
- 3.70. Internal Audit's risk based programme of audit work aims to provide assurance on both the effectiveness of the management of risks to the achievement of agreed objectives and on compliance with GLA policies and procedures and externally arising regulations and the law.
- 3.71. Following the devolution of housing and regeneration functions to the GLA in April 2012, it became apparent that there was an unintended deficiency in the GLA Act which barred the GLA from incurring expenditure on the transport related elements of those housing and regeneration programmes and projects. The Government acknowledged that this deficiency should have been addressed during the passage of the Localism Act

2011 through Parliament and rectified the oversight – with fully retrospective force – through the Infrastructure Act 2015. The matter has therefore been satisfactorily resolved. But it points to the need for the GLA to continue to monitor legislation affecting London as closely as possible.

### **Arrangements for whistle-blowing and for receiving and investigating complaints from the public**

- 3.72. The GLA has clear guidance on its complaints procedure, which also sets standards for responding to any complaints. Complaints are recorded by the Public Liaison Unit and that process includes recording which officer is responsible for handling the complaint and the timeliness of individual responses. Complaints' statistics are reported to the Assembly's GLA Oversight Committee on a six-monthly basis.
- 3.73. The GLA's whistleblowing policy is readily available to staff and the public at large. It explains how whistleblowing can be reporting – including via a confidential and externally operated phone line and an internet form – and sets down the process that will be followed once an issue has been raised.

### **Identifying the development needs of Members and senior officers in relation to their strategic roles, supported by appropriate training**

- 3.74. The GLA has robust and thorough processes for appraising and developing its staff, backed by a well-embedded competency framework and a training and development programme. The programme supports the achievement of the organisation's aims and objectives and a high performance culture at the GLA.
- 3.75. Good corporate governance principles are incorporated into wider induction programmes for all staff and elected members. On-line corporate governance training has been made mandatory for all staff and take-up is monitored. The content is refreshed regularly to reflect developments in practice.

### **Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation**

- 3.76. In addition to the considerable consultation required by law on his statutory strategies and budget proposals, and consultation undertaken during the development of other programmes and plans, the Mayoralty has a range of arrangements designed to encourage individuals and groups from all sections of the community to engage with, contribute to and participate in the work of the GLA.

- 3.77. The arrangements include People's Question Time, which are meetings that give Londoners an opportunity to ask the Mayor and the Assembly about their plans, priorities and policies for London, and the State of London Debate, which is the Mayor's annual conference and largest mechanism for debate and direct engagement with policy makers, opinion formers and Londoners.
- 3.78. The GLA has also developed Talk London, an online research community of presently 10,000 Londoners, to promote and facilitate debate about improving London. In addition, the London Dashboard provides regular updates on key indicators of London life.
- 3.79. Other channels of consultation include: the periodic London Survey, most recently conducted in November 2015; a regular 'Talking Points' survey; telephone surveys; and consultation on specific plans and policies.
- 3.80. The External Affairs directorate works to ensure that all communication to Londoners is audience-focused, meaning that it is relevant to the audience and is written in plain language. A major review of the GLA's website was completed in 2015-16, and following a period in beta, the new site went live in November 2015 with enhanced mechanisms for the GLA to engage with the public.
- 3.81. The GLA also has well-developed arrangements and standards for dealing with and monitoring Mayoral correspondence and Freedom of Information requests.
- 3.82. The Assembly carries out consultations and engagement with Londoners in order to inform its investigations. This includes a programme of site visits and informal meetings, written consultations, online surveys and consultation and formal committee meetings. The Assembly also hosts a programme of receptions and events at City Hall.

**Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the GLA's overall governance arrangements**

- 3.83. As already alluded to, the GLA has three principal groups of partners or stakeholders:
- the company it has established – Greater London Authority Holdings Limited and its subsidiary GLA Land and Property Limited (GLAP) – to manage its land and property transactions;
  - its permanent functional bodies and the Mayoral Development Corporations (MDCs) it has created in accordance with the provisions of the Localism Act; and
  - London boroughs and other key public sector and business stakeholders across London and beyond.

- 3.84. GLAP is a company wholly owned by the GLA. The company's activities have been fully integrated into the Mayor's Scheme of Delegation for the GLA and regular board meetings are held to ensure compliance with company law. The GLA is not aware of any governance issues arising in relation to GLAP.
- 3.85. There are a series of arrangements in place, mainly defined by legislation and differing slightly according to each organisation, governing the GLA's relationship with Transport for London (TfL), MOPAC, the London Fire and Emergency Planning Authority (LFEPA) and the MDCs. There are currently two MDCs: the London Legacy Development Corporation (LLDC) and the Old Oak and Park Royal Development Corporation (OPDC).
- 3.86. The GLA has strengthened its oversight governance arrangements of LLDC by establishing:
- regular Finance and Policy Liaison meetings at an officer level chaired by the GLA's Head of Paid Service; and
  - monthly finance meetings between key senior staff of the GLA and the LLDC.
- In addition, with Government and key partners, the GLA and the LLDC have developed a shared approach and shared funding to provide oversight, assurance and risk management of the Culture and Education District (CED) project, which has as its central aim the creation of a world class cultural and scientific quarter in Queen Elizabeth Olympic Park. Central to this is the CED Programme Board (OPB).
- 3.87. The OPDC was established on 1 April 2015. The Mayor has asked for a review of the strategic direction and work programme of OPDC and this will include a focus on its governance arrangements.
- 3.88. In the case of LFEPA, the Mayorality asked DCLG to reform its governance to reflect the Mayor's accountability for resourcing. Following consultation by Government, the Policing and Crime Bill includes provision to streamline decision making by abolishing LFEPA and increasing Mayoral control under new arrangements (an Office of the London Fire Commissioner), which are likely to be in place by April 2017.
- 3.89. As referred to previously, the Corporate Governance Framework for the GLA Group covers its powers and duties, sets out respective roles and responsibilities and how they should relate to each other. The framework is based on the seven established 'Nolan principles' that underpin effective and ethical corporate governance in public service.
- 3.90. The other partnerships in place (ie. with boroughs, voluntary organisations, business and others) vary tremendously in role, size and resourcing. Oversight of these partnerships is at team level. The GLA maintains partnership guidance to promote effective oversight of partnerships. It also maintains a register of the Authority's significant partnerships.

#### **4. London Assembly scrutiny of governance issues**

- 4.1. The London Assembly has a key role to play in holding the Mayor to account and scrutinising GLA governance, services and functions.
- 4.2. The Assembly provides regular challenge of the GLA's governance arrangements in a number of ways:
  - Mayor's Question Time, where the Mayor is required to attend ten meetings of the Assembly per year to answer Assembly Members' questions;
  - responses to statutory consultations, principally relating to Mayoral strategies and the Mayor's budget;
  - confirmation hearings for key appointments (see below);
  - the work of scrutiny committees; and
  - other work on internal corporate governance.
- 4.3. Mayoral nominees for nine offices are subject to non-binding confirmation hearings conducted by the London Assembly. The purpose of the confirmation hearing, which is held in public, is to establish whether a candidate has the ability to do the job and is fit for office. The Assembly does not have the power to veto an appointment and its recommendations are not binding on the Mayor.
- 4.4. The nine offices to which non-binding confirmation hearings apply are:
  - Chair and Deputy Chair of Transport for London;
  - Chair of the London Fire and Emergency Planning Authority;
  - Chair of the London Cultural Strategy Group;
  - Chair and Deputy Chair of the London Pensions Fund Authority;
  - Chair of the London Waste and Recycling Board; and
  - Chair of a Mayoral Development Corporation (of which there are currently two).
- 4.5. In the case of a tenth office, the Deputy Mayor for Policing and Crime, the Assembly confirmation hearing is binding for candidates who are not Assembly Members.
- 4.6. Appendix C provides details of governance and related issues raised by the Assembly in 2015-16.

## **5. Extant risks and governance challenges**

### **Extant risks**

5.1. When updated towards the end of 2015-16 (March 2016), there were 23 risks on the corporate risk register – an increase of five over the course of the year. The most serious risks were:

- Air quality: EU policy such that London is at risk of penalties arising from EU infraction processes.
- London 2012 Legacy: The GLA is exposed to financial risk due to overspends on, or reduced income from, existing LLDC projects, requirement to underwrite risks and provide cashflow support for the cultural and higher education quarter.
- Museum of London (MoL): Lack of funding or cost over-runs for MoL capital expenditure requirements for repair of its existing building or to fund a move to a new building at West Smithfield places significant demands on the resources of the GLA as, with the City of London, statutory joint funder of MoL. (New in 2015-16)
- Health & Safety - City Hall and Squares: Breach in processes/procedures (or procedures not rigorous enough) leading to a health and safety or security incident (including an act of terrorism).
- Funding constraints: Government grant and other external funding falls, placing significant constraints on the GLA's budget that cannot be managed without impacting on services and Mayoral priorities.
- GLA budget setting: The unique process for setting the GLA Group /GLA budgets - involving the Mayor, Assembly and functional bodies - creates complexity that means statutory requirements are not fulfilled, either by the Mayor or by the Assembly, and budgetary priorities are not adequately reflected.

### **Governance challenges**

5.2. The primary governance challenges for the coming period centre on the change in administration following the May 2016 GLA elections. That includes:

- Implementing the new Mayor's vision, priorities and programme and accordingly updating statutory strategies and other vision documents and ensuring this feeds through into team work plans.
- Flexing performance monitoring arrangements to give the Mayoral Team an accurate picture and drive delivery of the Mayor's programme.
- Supporting the Mayor's priorities for devolution of power to London and addressing the governance implications flowing from devolution.
- Delivering the Mayor's stated priority to make City Hall more transparent.
- Managing the transition to a Mayoral model for the governance of London's fire service from April 2017, ensuring that decision making continues to be transparent and that accountability is enhanced.

- 5.3. Most crucial, and underpinning all of the above, will be to ensure governance and particularly decision making arrangements that sit alongside and support the delivery of the Mayor's programme are robust and in line with good practice – recognising the new administration may wish to make changes to current arrangements.
- 5.4. In September 2016 the Mayor announced a review into the Garden Bridge project. The review will look in detail at the procurement process around the project and whether required standards have been met around transparency and openness going back to the beginning of the project. A priority for the remainder of 2016-17 will be to ensure any issues that bear on governance at the GLA that the review may raise are addressed as necessary.
- 5.5. Commentary on the governance challenges for 2015-16 identified in the previous annual governance statement is at Appendix D.

## 6. Disclosure

- 6.1. No significant developments or events relating to the governance system have occurred between the end of the 2015-16 financial year and the signing off of the Authority's financial statements in September 2016.



**Sadiq Khan**  
Mayor of London

Date: 29 September 2016



**Jeff Jacobs**  
Head of Paid Service

Date: 29 September 2016

## Appendix A: Internal audit assurance ratings in 2015-16

### Overview

Internal Audit's Annual Opinion for 2015-16 states:

*The GLA governance framework is clearly defined and is in line with best practice to meet statutory requirements. Internal Audit reviews conducted during the year show that overall the internal control framework can be assessed as adequate. The Head of Internal Audit's overall opinion for 2015-16 is:*

*The GLA has an effective internal control environment with an improved risk management framework supporting the achievement of its overall strategic objectives.*

The ratings arising from risk and assurance reviews conducted in the year were:

Rating	2015-16	2014-15 (for comparison)
Substantial	5	8
Adequate	15	9
Limited	0	0
No assurance	0	0
Total reviews	20	17

Audit Title	Rating
Employer-Led Apprenticeship Creation Programme	Substantial
GLA Economics	Substantial
Non-Current Asset	Substantial
Programme and Project Management Framework - Strategic Land and Property	Substantial
Technology Group Service Desk: Incident and Problem Management	Substantial
Commercial Partnerships and Sponsorship	Adequate
Council Tax Precepting, Business Rate Retention, and Business Rate Supplement	Adequate
Creditor Payments – Ordering, Receiving and Payments	Adequate
Data Protection and Freedom of Information Control Framework	Adequate
Delivery of the Team London Programme	Adequate
Estate Management - Physical Security	Adequate
Framework Supporting Preparations for the Mayoral and Assembly Elections 2016	Adequate
General Ledger Control Framework	Adequate



<b>Audit Title</b>	<b>Rating</b>
London Schools Excellence Fund	Adequate
Mayor's Planning Powers -Strategic Planning Applications and Advice Service Income	Adequate
Provision of Legal Services to the GLA	Adequate
RE:FIT Programme Framework	Adequate
Risk Management - Risk Maturity Assessment	Adequate
SAP Control Framework	Adequate
Use and Control of Social Media	Adequate

The ratings arising from follow-up review were:

<b>Rating</b>	<b>2015-16</b>	<b>2014-15 (for comparison)</b>
Substantial	6	14
Adequate	5	4
Limited	0	0
No assurance	0	0
<b>Total reviews</b>	<b>12*</b>	<b>18</b>

<b>Audit Title</b>	<b>Rating</b>
Debtors/Sundry Income Control Framework	Substantial
Growing Places Fund - Revenue Programme Delivery	Substantial
Housing – Compliance Audit Programme	Substantial
Payroll Provision	Substantial
Rough Sleepers Project	Substantial
Sports Legacy Programme	Substantial
Corporate Charge Cards	N/A*
Framework Supporting Preparations for the Mayoral and Assembly Elections 2016	Adequate
Income from the GLA Estate	Adequate
London's European Office	Adequate
Mayor's Planning Powers -Strategic Planning Applications and Advice Service Income	Adequate
Procurement Framework	Adequate

\* The Corporate Charge Card audit followed on from a counter fraud review and as a non-standard compliance audit no overall rating was given. Information about the findings of the audit are at paragraph 3.45.

## Appendix B: Mayoral directions issued to the GLA's functional bodies in 2015-16

The GLA is careful to issue directions only when it is appropriate to do so. Directions are published on the GLA website as part of the routine publication of all Mayoral decision forms.

In 2015-16, eight directions were issued to TfL and six were issued to the LFEPA.

MD No.	Body	Title	Date	Decision
1472	TfL	Garden Bridge Development Proposals	04/06/15	<p>Subject to agreement as to the terms of the guarantees and to appropriate arrangements being in place between the GLA and the Trust giving the GLA appropriate rights in the event such guarantees are called upon, and the Trust demonstrating to the Mayor's satisfaction that it has secured a satisfactory level of funding to operate and maintain the Garden Bridge for at least the first five years from its completion, the Mayor:</p> <ul style="list-style-type: none"> <li>• Approves the GLA's provision of a guarantee to the Port of London Authority in respect of the obligations on the Garden Bridge Trust as a result of the river works licence;</li> <li>• Approves the GLA's provision of a guarantee to Westminster City Council to secure the ongoing maintenance of the Garden Bridge; and</li> <li>• Approves the GLA's provision of a guarantee to the London Borough of Lambeth to secure the ongoing maintenance of the Garden Bridge.</li> </ul> <p>The Mayor:</p> <ul style="list-style-type: none"> <li>• Delegates to the Executive Director of Resources the authority to agree the terms and conditions of the guarantees and the related arrangements, and to execute or authorise the execution of the guarantees and any related documentation;</li> <li>• Delegates to TfL the exercise of the Mayor's powers under sections 30 and 34 of the Greater London Authority Act 1999 in accordance with the Delegation contained in the Appendix to this Decision; and</li> <li>• Directs TfL to use its powers and the powers delegated to it by the GLA in accordance with the Direction contained in the Appendix to the Decision.</li> </ul>
1485	TfL	May 2015 Fare Changes	20/05/15	<p>The Mayor:</p> <ol style="list-style-type: none"> <li>1. Approves the proposed revisions to fares to be implemented from 31 May 2015 as set out in the decision form; and</li> <li>2. Directs TfL to implement the level and structure of fares from the 31 May 2015 in accordance with the Schedule attached.</li> </ol>
1497	LFEPA	LFEPA Direction	27/04/15	That the Mayor directs LFEPA in relation to the disposal of Southwark former fire station site in the revised form at Appendix B to the decision form.
1507	LFEPA	Appointment of the next London Fire Commissioner	20/05/15	That the Mayor directs LFEPA in relation to the appointment of the next London Fire Commissioner as at Appendix B to the decision form.

MD No.	Body	Title	Date	Decision
1516	LFEPA	LFEPA 2016-17 budget options	15/06/15	That the Mayor directs LFEPA in relation to the LFEPA budget options for 2016-17 and to LFEPA's contingency arrangements as at Appendix B to the decision form.
1517	LFEPA	The Provision of Fire Consultancy Services	02/07/15	That the Mayor directs LFEPA in relation to the provision of fire consultancy services as at Appendix B to this decision form.
1518	LFEPA	Disposal of the former fire station site at Kingsland	18/06/15	That the Mayor directs LFEPA in relation to the disposal of Kingsland former fire station site in the form attached at Appendix B to the decision form. That the Mayor provides a letter of comfort to LFEPA as to its financial position in the form attached at Appendix C to the decision form.
1521	TfL	Putney to Blackfriars River Bus service fares from 14 September 2015	10/09/15	The Mayor: 1. Approves the proposed fares set out in the decision form for the Putney to Blackfriars river bus service from 14 September 2015 and onwards; and 2. Directs Transport for London under section 155(1)(c) of the Greater London Authority Act 1999 to implement these fares from said date.
1544	TfL	Direction to TfL to undertake aviation work	21/09/15	The Mayor: 1. Directs Transport for London (TfL) under section 155(1)(c) of the Greater London Authority Act 1999 ('the GLA Act') in the terms of the attached Direction (attached as Appendix 1). This Direction ceases to have effect on 30 June 2016 by which time it will be reviewed. 2. Authorises TfL under section 38(1) of the GLA Act to exercise the Mayor's powers under sections 30 and 34 of the GLA Act to do all things necessary or expedient to undertake the works required by the attached Direction in accordance with the terms of the attached delegation (Appendix 2). 3. Authorises Daniel Moylan as a member of the TfL Board to oversee the work that TfL will undertake pursuant to the Amended Direction.
1562	TfL	January 2016 Fare Changes	09/11/15	The Mayor: 1. Approves the proposed revisions to TfL fares to be implemented from 2 January 2016 as set out in the decision form; and 2. Signs the attached Direction to TfL issued pursuant to the power in section 155 (1)(c) of the Greater London Authority Act 1999 to implement these fares on 2 January 2016.
1570	TfL	Croxley Rail Link – Land Valuation and Increased TfL Contribution	04/11/15	The Mayor: 1. Directs TfL to proceed in accordance with the directions given under MD1478 but on the basis that the Hertfordshire County Council (HCC) led local consortium nominal funding contribution of £128.08m includes land contributions by HCC which while valued by HCC at £2.73m are of no commercial value to TfL, and that the cash contribution will therefore be £125.35m 2. Directs TfL to provide up to a further £2.73m of funding in addition to the £46.5m directed under MD1478 towards the costs for delivering Croxley Rail Link.

MD No.	Body	Title	Date	Decision
1594	TfL	Barking Riverside Rail Extension TfL Agreements	25/01/16	The Mayor directs Transport for London (TfL) to enter into a: 1. Funding agreement with Barking Riverside Limited with a target completion date of 29 February 2016 and without a parent company guarantee from London & Quadrant Housing Trust, to govern BRL's provision of £172million to TfL as a contribution to its costs of the Barking Riverside Rail Extension; and 2. Land and works agreement with Barking Riverside Limited with a target completion date of 29 February 2016 providing for TfL to meet the costs of earthworks and retaining structures required to achieve the headroom required by BRL beneath certain parts of the elevated sections of the Barking Riverside Rail Extension to enable site permeability and maintenance access.
1617	LFEPA	LFEPA budget for 2016-17	01/03/16	That the Mayor directs LFEPA in relation to its budget for 2016-17 as at Appendix B to the decision form.
1624	TfL	Direction: five year TfL business plan for 2016-17 to 2020-21	10/03/16	That the Mayor directs Transport for London in the form attached as the Appendix to the Mayoral Decision Form as follows: <ul style="list-style-type: none"> <li>To prepare and to issue, as soon as is practicable, a five year business plan covering the financial years 2016-17 to 2020-21 and for this to be considered by the Transport for London Board at its meeting on 17 March 2016.</li> </ul>

## **Appendix C: Governance and related issues raised by the Assembly**

### **2016-17 budget for the GLA Group**

In accordance with the requirements of the GLA Act 1999 (as amended), there is a two-stage budget-setting process. At the draft budget stage (January), the Assembly is able to amend the statutory figures that make up the consolidated budget requirement in the GLA Act by a simple majority. The Mayor is under a duty to respond to any amendments passed when he presents his final budget.

At the final draft budget stage (February), the Assembly is able to amend the statutory figures that make up the consolidated budget requirement by a two thirds majority of Assembly Members present and voting. At this stage, amendments agreed by the requisite majority are binding.

At its meeting in January 2016, following consideration of the draft budget, the Assembly considered three amendments and one budget related motion, none of which passed. These are set out in the published minutes of the meeting.

At its meeting in February 2016, following consideration of the final draft budget, the Assembly did not agree any amendments to the budget by the requisite majority. In accordance with Paragraph 8(5) of Schedule 6 to the GLA Act 1999 (as amended), the Assembly was deemed to have approved, without amendment, the Final Draft Consolidated Budget for 2016-17. The Assembly also considered two budget related motions, which were lost and are set out in the published minutes of the meeting.

### **Strategies and plans**

The Mayor is statutorily required to consult the Assembly on certain strategies. Assembly committees usually respond to such consultations on the Assembly's behalf and the consultation responses are published on [london.gov.uk](http://london.gov.uk).

In addition, the Mayor must lay before the London Assembly the final versions of those strategies prior to their publication. Under the provisions of Section 42 of the GLA Act 1999 (as amended), the Assembly has the power to consider and potentially reject draft strategies within 21 days of their submission, including the date the draft strategy is laid before the Assembly.

On 10 February 2016, the Assembly considered the Minor Alterations to the London Plan (MALP) and agreed a motion commenting on the alterations. However, as the motion only attracted a simple majority of votes cast in its favour and not the two-thirds majority required in law formally to reject the draft strategy, the Assembly was deemed not to have rejected the Minor Alterations to the London Plan as laid before it. The motion and the additional formal proposals to the Mayor, under section 60(1) of the GLA Act 1999 (as amended), represented the Assembly's comments on the strategy.

## **Confirmation hearings**

During 2015-16 the London Assembly held four confirmation hearings.

In May 2015, there were two hearings: for the proposed appointments of Sir Edward Lister to the office of Chairman of the Old Oak and Park Royal Development Corporation and Neale Coleman CBE to the office of Chairman of the London Legacy Development Corporation. Regarding the appointment of Sir Edward Lister, the Confirmation Hearings Committee recommended that the Mayor should proceed with the appointment. Regarding the appointment of Neale Coleman CBE, the Confirmation Hearings Committee recommended the Mayor proceed with the appointment by a majority of 6 votes to 2.

In September 2015, the proposed appointment of Sir Merrick Cockell to the office of Chairman of the London Pensions Fund Authority was heard. The Confirmation Hearings Committee recommended the Mayor proceed with the appointment.

In October 2015, the Confirmation Hearings Committee reviewed the proposed appointment of David Edmonds CBE to the office of Chairman of the London Legacy Development Corporation. The Committee recommended the Mayor proceed with the appointment.

The transcript of the question and answer sessions for all of the confirmation hearings held in 2015-16, and the letters of recommendation to the Mayor in relation to the appointments, are published on [london.gov.uk](http://london.gov.uk).

## **Improving transparency and governance**

The Assembly's committees play an important role in scrutinising policy and bringing information into the public domain.

Issues of procurement are looked at by the GLA Oversight Committee. The Committee became concerned about the procurement process adopted in the awarding of the Garden Bridge design contract following a series of Freedom of Information Requests by journalists and Assembly Members. The Committee held four meetings on the topic with a range of guests including the Mayor, the chair of TfL's Audit and Assurance Committee and officers involved in the procurement of the contract. It published its report in March with majority agreement and dissenting comments from the Conservative group. The report was published alongside a significant body of appendices relating to that procurement process and the subsequent TfL internal audit review. Its conclusions included concerns about the way the internal audit review was carried out and how it changed before final publication.

The Budget and Performance Committee supports the Assembly's scrutiny of the Mayor's budget. In January 2016, the Mayor responded to the Committee's Pre-Budget Report, accepting a number of recommendations to improve the quality of the budget document and future quarterly reports from the functional bodies, and to provide more information in TfL's business plan to aid Assembly scrutiny.

In February 2016, the GLA Oversight Committee published its report into the transparency of the GLA Group and Family, following a rapporteurship led by John Biggs AM. This examined progress since the Committee's last report on the subject in 2013 and assessed the transparency of organisations outside the GLA Group but subject to the control of the Mayor London & Partners, the London Waste and Recycling Board and others). It concluded that:

- Progress has been made by some organisations, such as TfL, but others – particularly MOPAC – needed to publish more information about how it makes decisions.
- Material released in response to Freedom of Information Act requests should be routinely published and made easier to find.
- Transparency needs to be made a priority when new organisations, such as the Old Oak and Park Royal Development Corporation, are set up.

The Mayor responded positively to the Committee's recommendations and the Assembly will continue to push for improvements during the new Mayoral term.

In March, the Budget and Performance Committee published a report – *Transport for London's signal failure* – into the collapse of TfL's tube signalling contract with Bombardier. This was the result of more than two years of scrutiny by the Committee and the Assembly more widely. The Committee concluded that TfL had spent £85 million to get out of the failing contract, would have £900 million less to spend on transport improvements, and the collapse had delayed the tube upgrade programme by five years. The Committee found a number of weaknesses in TfL's governance:

- The procurement process was flawed and rewarded a low bid that could not be delivered.
- TfL did not do enough to challenge Bombardier's own assessment of its capability to deliver that contract.
- TfL signed a contract that aligned payments to Bombardier's spend, rather than progress, indicating a lack of legal expertise at TfL.
- TfL management lacked the skills to handle the contract, and presented an overly-positive assessment of progress.
- The TfL Board lacked the skills and expertise needed to oversee complex engineering and IT programmes.
- TfL's internal assurance function – provided by its Project Management Office – and its external assurance function – provided by the Independent Investment Programme Advisory Group – were inadequate.

The Committee recommended that the new Mayor should appoint a TfL Board with the appropriate mix of skills and carry out a wide-ranging review of the Independent Investment Programme Advisory Group.

The Budget and Performance Committee also found weaknesses at MOPAC and the MPS when it examined their plans to outsource various back-office functions. In its September 2015 report, *To Protect and Save*, the Committee found a number of weaknesses that presented risks to the organisations and the service they provide in London, including:

- The Met had made significant progress in outsourcing a number of functions before MOPAC had agreed its overarching commercial strategy.
- MOPAC and the Met lacked the commercial expertise required to negotiate and manage outsourced contracts properly.

MOPAC responded positively to the Committee's report and accepted a number of its recommendations.



## Appendix D: Commentary on previously identified governance challenges

The 2014-15 Annual Governance Statement set out eight governance challenges for the year ahead. These are repeated below together with commentary on the actions taken and how the challenges developed during the year.

Challenge	2015-16 developments
<p>1. Continued resource pressures arising from the constrained funding environment, and in particular:</p> <ul style="list-style-type: none"> <li>• the GLA has yet to receive a full financial settlement from Government for the period 2016-17 and beyond;</li> <li>• the GLA's exposure to the risks arising from the financial standing of its functional bodies, particularly the LLDC and the OPDC given the GLA is their principal funder and funder of last resort.</li> </ul>	<ul style="list-style-type: none"> <li>• The final Local Government and Fire Finance Settlement for 2016-17 was published in February 2016 and the Local Government Finance Report and council tax referendum excessiveness principles were approved by the House of Commons that same month.</li> <li>• A financially balanced budget for 2016-17 was set, including flexibility to fund the priorities of the new Mayor.</li> <li>• The framework for managing funding risks arising from LLDC was in place throughout 2015-16 and included high-level financial and policy liaison meetings, the formal governance direction to LLDC and observer status on LLDC's Board and Committees.</li> <li>• OPDC is not yet spending significant sums, though its governance framework was developed during the year. The Mayor has initiated a review of OPDC and this will inform the future direction of the Corporation.</li> <li>• This challenge was prominent on the GLA's risk register throughout 2015-16.</li> </ul>
<p>2. Related to the above, working with Government to provide oversight, assurance and risk management for the Olympicopolis project led by LLDC; and to ensure the success of the OPDC.</p>	<ul style="list-style-type: none"> <li>• The GLA, Government, LLDC and partners of the Culture and Education District agreed in June 2015 to an integrated assurance approach based on the three lines of defence model. Its purpose is to assure the programme board and funders, partners and other key stakeholders that capabilities, systems and controls are in place to deliver objectives efficiently and effectively.</li> <li>• The integrated assurance activities are delivered by an independent assurance provider, appointed following a competitive procurement by LLDC on behalf of the funders and partners, and aligned to project and programme milestones.</li> <li>• A Risk and Assurance Board – with an independent chair and made up of representatives from LLDC, project partners, the GLA, Government and the Foundation for Future London – oversees the risk and assurance programme. This is accountable to Culture and Education Programme Board, being the board responsible for oversight of the programme.</li> </ul>
<p>3. Responding to a new Government's agenda, which will have significant funding and policy implications.</p>	<ul style="list-style-type: none"> <li>• This was addressed through ongoing policy analysis. There was a particular focus on the Housing and Planning Bill, with discussions with Government in its draft stage and analysis of its impact for the GLA. Another area of focus was devolution including of certain health responsibilities.</li> </ul>

Challenge	2015-16 developments
	<ul style="list-style-type: none"> <li>• There will be a focus in 2016-17 on influencing and responding to events flowing from the outcome of the EU Referendum.</li> </ul>
<p>4. Identifying and managing the risks arising from the GLA's financial transactions portfolio; and in particular ensuring the GLA is able to both maximise outcomes and meet its commitment to repay Government loan funding for Housing Zones and the London Housing Bank.</p>	<p>The following mitigations were put in place in 2015-16:</p> <ul style="list-style-type: none"> <li>• Appropriate level of repayment to DCLG based on the inherent risks of recovery. For the London Housing Bank (straightforward projects to financially stronger organisations), this has been agreed at 100%. For the Housing Zones, it has been agreed at 60% across the portfolio allowing variability in individual projects.</li> <li>• Financial Transactions Steering Group with a remit to ensure the GLA is able to meet its commitment to repay government loan funding, including setting the strategic direction for and monitoring the portfolio of onward loans.</li> <li>• Related funding only advanced to credit-worthy organisations who are financially strong enough to repay the GLA or where there is high collateral that can be used as security.</li> <li>• Charge interest on funding. This will provide a buffer to the repayment obligations as DCLG will not be entitled to any interest.</li> <li>• The GLA will take appropriate security (including step-in rights) to ensure that if problems occur with a provider/project then it is able to recover the funds due.</li> <li>• In the event of a shortfall in the funding recovered by GLA and the repayment obligations to DCLG, then Housing and Land budgets will be used in the first instance to insulate the rest of the GLA from any risk.</li> <li>• The end of year flexibility the GLA has with budgets will allow repayment obligations to managed flexibly within budgets.</li> <li>• The other cash-flow flexibility the GLA has will provide additional protection from repayment obligations.</li> </ul>
<p>5. Preparing so as to manage effectively the likely significant transformation and change following the GLA elections in 2016.</p>	<ul style="list-style-type: none"> <li>• Addressed variously in the main body of the statement; but, in summary, managed through the Transition Group chaired by the Head of Paid Service.</li> </ul>
<p>6. Monitoring a suite of 100 GLA programmes which cut across a wide variety of subject areas and account for £100m of revenue spend and £0.8bn of capital spend in 2015-16.</p>	<ul style="list-style-type: none"> <li>• The GLA's Investment and Performance Board (IPB) continued in 2015-16 to take an active role in ensuring value for money was achieved, proper project governance arrangements were in place and areas of underperformance challenged;</li> <li>• Key performance indicators and Mayoral commitments were also tracked to identify, and take action, on any areas of underperformance.</li> </ul>

Challenge	2015-16 developments
<p>7. Maintaining a large amount of data on the GLA website and ensuring that it remains timely, accurate and easily accessible; particularly during the period a newly designed website is developed and goes live in late 2015.</p>	<ul style="list-style-type: none"> <li>• The new website went live in November. It makes the GLA's governance and other key information more accessible and easier to search.</li> <li>• Work was undertaken in advance to determine what information needed to be carried forward and content was streamlined accordingly.</li> <li>• Some content was archived as part of that process and is available via a separate archiving site.</li> <li>• A new records management policy was adopted in March 2016 and will support good information governance.</li> </ul>
<p>8. Addressing issues raised by Internal Audit in their review of the GLA's grants process.</p>	<ul style="list-style-type: none"> <li>• Progress has been made to establish a grants database (see paragraph 3.45 above).</li> </ul>

