



ACTIVE LANCASHIRE

GOVERNANCE REVIEW
OCTOBER 2022

OVERALL OPINION

MEETING STANDARDS



IDEAS | PEOPLE | TRUST

EXECUTIVE SUMMARY	2
DETAILED AREAS FOR IMPROVEMENT	4
OBSERVATIONS	16
GOOD PRACTICE & ASSURANCE	167
ACTION TABLES FOR COMPLETION	20
STAFF INTERVIEWED	25
APPENDIX I - FINDINGS LINKED TO THE CODE	27
APPENDIX II - THE NEW CODE	27
APPENDIX III - DEFINITIONS	29
APPENDIX IV - TERMS OF REFERENCE.....	31

DISTRIBUTION

Adrian Leather	Active Lancashire (Chief Executive)
Stuart Oliver	Active Lancashire (Director of Finance)
Joy Johnston	Sport England (Head of Governance - Support)
Graham Macpherson	Sport England (Head of Active Partnerships)
Ed Sandham	Sport England (Strategic Lead - Active Partnerships)

REPORT STATUS LIST

Consultants:	Max Armstrong - Assistant Manager
Dates work performed:	27 June - 21 July 2022
Draft report issued to Sport England:	3 August 2022, with closing meeting held on 22 July 2022
Draft report issued to Funded Partner:	18 August 2022
Final report issued to Funded Partner:	24 October 2022

EXECUTIVE SUMMARY

SUMMARY OF OPINIONS AND RECOMMENDATIONS: (SEE APPENDIX III FOR DEFINITIONS)

OVERALL OPINION - MEETING STANDARDS

We reached an overall opinion that governance arrangements are Meeting Standards.

Active Lancashire have arrangements to support effective governance, with a generally well-performing Board and a strong Committee structure in place to monitor risk, finance and human resources related issues. Oversight of areas such as safeguarding were also robust through these structures, with Committee Chairs reporting back into the Board quarterly. However, process issues were identified around determining the CEO's remuneration resulting in the former Chair notifying the CEO of a salary increase that had not been approved by the Board and was later rejected by the Board. This issue has taken more than 12 months for the Board to come to an agreed position.

The Board's culture was healthy, with generally positive relationships highlighted between the Board and the Executive Leadership Team (ELT) which led to constructive discussions and monitoring. There has been significant change in the Board, and a complete change in the Committee membership, over the past 12 months, however, this does not appear to have impacted the effectiveness of governance. In the case of the Audit & Finance Committee, the oversight and challenge reflected in meeting minutes was more robust under the new membership.

Generally, the Board were operating effectively with most of our findings relating to increased clarity being required from the governance documentation, such as adding more detail to terms of reference, enhancing the Board skills matrix and refining the conflict-of-interest management. Albeit, on a practical level, the Board and Committees understood their roles and responsibilities, and members were asked to declare any conflicts prior to meetings.

Some issues were identified in relation to the engagement of Board members in between the quarterly Board meetings. For example, several findings relate to members not completing their skills assessments, declaration of interests forms and failing to attend the cyber security training session. Whilst it is appreciated that Board members may have limited capacity, engagement outside of meetings is also an integral part of effective governance. Additionally, at times, there was a gap in the understanding of processes between Board members and management, notably over the approval process for recently appointed Board members.

The positive culture within Active Lancashire was noted through the staff survey undertaken in June 2022 where Active Lancashire broadly outperformed the average scores of Active Partnerships across England on areas such as staff morale, work-life balance and the feeling of a culture of teamwork.

Positive feedback was received around the inclusion of Lancashire County Council Cabinet members on the Board to support discussions and decision-making, as the Council is the shareholder of Active Lancashire. This does raise concerns around continuity on the Board if there were to be changes in political leadership of the Council but their involvement on the Board has been a useful indicator of the Council's opinion/position on certain issues.

The introduction of the three Councillors occurred at the same time as Active Lancashire were recruiting three other Non-Executive Directors (NEDs) to the Board, meaning there was wholesale changes to the Board and its Committees. Active Lancashire's formal Board succession planning is not currently robust enough, with the end of Board member's terms not being documented leaving the organisation potentially vulnerable to a lack of continuity.

Overall, while there is room for improvement on formalisation of processes and governance documentation Active Lancashire has a governance framework that is operating well.

Scope Area	Rating	Significance of Recommended Actions			Total of Recommended Actions
		Low	Medium	High	
Structure	MEETING STANDARDS	2	2	-	4
People	MEETING STANDARDS	1	3	-	4
Communication	OUTSTANDING	-	-	-	-
Standards & Conduct	GOOD	1	-	-	1
Policies & Processes	GOOD	2	-	-	2
Total of Recommended Actions		6	5	-	11

DETAILED AREAS FOR IMPROVEMENT

The report sets out the detailed areas for improvement over the subsequent pages along with associated recommendations. These are split into the 5 principles in A Code for Sports Governance namely: Structure, People, Communication, Standards & Conduct and Policies & Processes.

The detailed areas for improvement are given a reference number and significance of either high, medium or low. Within each principle the detailed areas for improvement are shown in order from findings with the highest significance first to those with the lowest significance last.

STRUCTURE

REF 1

SIGNIFICANCE - MEDIUM

THE FORMER CHAIR COMMUNICATED AN UPLIFT IN REMUNERATION TO THE CEO PRIOR TO BOARD APPROVAL, WITH THE BOARD SUBSEQUENTLY REJECTING THE PROPOSAL

According to the HR, Remuneration & Nominations Committee's terms of reference, it has delegated authority from the Board to make decisions relating to the remuneration arrangements for employees of Active Lancashire. We would typically see the HR, Remuneration & Nominations Committee making a recommendation to the Board, but Board having final approval, and decisions not being communicated to staff until they have been approved by the Board.

Benchmarking exercise

Active Lancashire commissioned external consultants, HR Partners, to undertake a benchmarking analysis of remuneration for other organisations in the charitable sector of Active Lancashire's size, in a similar geographical location and for comparable roles. The exercise identified that Active Lancashire salaries were in the recognised range for their roles but were largely in the lower 10% of the range.

The benchmarking report was presented to the HR, Remuneration & Nominations Committee on 25 February 2021 where it was agreed by the Committee that there was an ambition for Active Lancashire to be a high performing organisation and therefore they should offer an above average salary to staff members, subject to the availability of funding.

The former Chair of the HR, Remuneration & Nominations Committee presented the benchmarking summary to the Board on 15 April 2021. However, the minutes of the Board do not indicate whether a decision was taken to approve any staff pay increases.

Agreeing CEO's salary uplift

Following the benchmarking exercise and the CEO's annual appraisal for the year, the former Chair of the HR, Remuneration & Nominations Committee recommended increasing the CEO's salary by over 10% to take them to the median of the range, which was approved by the Committee as a recommendation to the Board.

Subsequently, the outgoing Chair informed the CEO in their exit interview of a salary increase which had not been approved by the Board. Following this, the Board rejected the pay increase proposal until the new Chair had been appointed.

Current position

The HR, Remuneration & Nominations Committee have recently discussed CEO remuneration with a recommendation being taken to the Board in the March 2022 Board meeting, in a confidential session. However, it has taken more than 12 months from the

completion of the original benchmarking report to a formal recommendation being made to the Board.

Procedural framework

This is partly due to the Board not having clear timelines for considering and approving the CEO's pay each year, following the completion of the annual appraisal.

Premature communication

If decisions are taken by Board members and communicated to others prior to the Board's approval, then this could lead to inconsistent messaging. Additionally, revoked remuneration increases could impact staff morale and Active Lancashire's ability to retain key staff.

RECOMMENDATION

- A. The process for setting and approving the ELT's remuneration should be documented with timelines for the Board required to approve any recommendations for salary increases. The HR, Remuneration & Nominations Committee should make a recommendation to the Board in the meeting that follows the ELT's appraisals with the final decision being subject to Board approval
- B. Board members should be reminded that where issues require Board approval, this should be obtained prior to notifying others to ensure consistent messaging/communication.

STRUCTURE

REF 2

SIGNIFICANCE - MEDIUM

THERE WERE INSTANCES OF A LACK OF ENGAGEMENT IDENTIFIED AMONGST THE BOARD OUTSIDE OF BOARD MEETINGS

Active Lancashire have a volunteer Board with most Board members having other commitments outside of the organisation.

Whilst the value of Board members contributions are recognised during Board meetings, concerns were raised around the engagement of Board members outside of meetings, driven primarily by time availability and resources.

For example, for a cyber security training session requested by the Board, there were only three Board members in attendance out of 12.

Similarly, Board members were all invited to a recent staff workshop event to meet and build relationships with Active Lancashire staff however, we were informed that only three Board members attended.

Additionally, there have been administrative delays in collating the Board skills matrix due to Board members not providing the completed self-assessment forms (see Finding 6) and, in three instances, there were significant delays in Board members completing their Declaration of Interest forms (see Finding 9).

These speak to a wider issue around lack of engagement from the Board outside of meetings, resulting in governance issues arising through documentation not being completed or Board members not integrating fully into the organisation. Whilst we recognise that time and capacity are often a challenge for volunteer Boards, it is important that Board members are involved in Active Lancashire to support the organisation meeting its objectives.

RECOMMENDATION

The Chair should hold open and frank discussions with Board members on the expectations and engagement required of them outside of Board meetings, including the need to ensure all administrative documentation is completed in a timely manner and that training/workshops should be attended, except for pre-agreed reasons with the Chair.

STRUCTURE

REF 3

SIGNIFICANCE - LOW

A SEPARATE TERMS OF REFERENCE FOR THE ACTIVE LANCASHIRE BOARD WAS NOT IN PLACE OUTLINING THE ROLE AND RESPONSIBILITIES OF THE BOARD

Board terms of reference are designed to provide an overview of the purpose, responsibilities, membership, composition, frequency of meetings, and quorum of an organisation's Board.

A terms of reference was not in place for the Active Lancashire Board outlining this information.

Some of this information was included in the Articles of Association and the other documents, such as the Board Induction Pack. For example, the Articles outline the quorum and membership/composition, and the Induction Pack states the roles and responsibilities and expectations of director's conduct. However, we would expect, and it is required by the Code, a separate terms of reference for the Board using the standard template that is in use for the sub-committees collating all this information into a single document. Whilst we noted from our interviews of Board members and review of the Board minutes, that the purpose, roles and responsibilities of the Board were broadly understood, this should be formally documented in a term of reference.

Ensuring all information about the structure, responsibilities and governance of the Board is consolidated into a single terms of reference mitigates the risk of a lack of clarity over the Board's purpose and role.

RECOMMENDATION

- A. Active Lancashire should develop a terms of reference for the Board using the standard terms of reference template currently used for its sub-committees. As a minimum, the terms of reference should cover:
- Purpose of the Board
 - Roles and responsibilities of the Board in sufficient detail, including the Active Lancashire Board's responsibility to maintain oversight of its sub-committees
 - Matters reserved for the Board
 - Specific roles for the Chair in managing/leading the Board
 - Composition of the Board
 - Quorum
 - Frequency of meetings
 - Information requirements for example, standing agenda of reports to be presented to the Board and when they should be provided to Board members by.

We have provided an example of a Board terms of reference in Appendix I.

- B. A cover sheet should be added to the Board terms of reference showing the current version reference and the date the terms of reference was last reviewed and approved. We have provided an example of this is Appendix III.

STRUCTURE

REF 4

SIGNIFICANCE - LOW

THE AUDIT & FINANCE AND HR, REMUNERATION & NOMINATIONS COMMITTEES TERMS OF REFERENCE WERE MISSING SOME INFORMATION

Active Lancashire's Committee structure includes an Audit & Finance Committee, which maintains oversight of financial performance, external auditors and risk management, and a HR, Remuneration & Nominations Committee which oversees staff-related issues, safeguarding and Board recruitment. Each Committee has a terms of reference which is published on Active Lancashire's website.

Current terms of reference

We reviewed the terms of reference and found:

- In both terms of reference there is a lack of detail over specific responsibilities of the Chair, for example, for setting meeting agendas and facilitating discussions in meetings. They also do not identify arrangements for appointing a temporary Chair when the Chair is absent from a meeting.
- The terms of reference are relatively brief, with a lack of detail over specific roles and responsibilities. For example, the Audit & Finance Committee terms of reference outlines that one of its functions is 'Risk Assessment (including, but not restricted to review of the risk register and performance reports). We would expect greater detail on this, breaking down the responsibilities of the Committee to do the following:
 - Set the risk appetite and tolerance levels
 - Review the organisation's capacity to manage new risks
 - Monitor the implementation of mitigating actions to reduce the impact of risks
 - Review reports of material breaches of risk limits.

Governance Working Group

Active Lancashire have recently established a Board Governance Working Group, and part of their remit will be to assess the purpose of the existing Committees and the Committee structure, in conjunction with this report.

We did not identify any concerns or issues with the coverage of key assurance areas by the Board and its Committees in meeting minutes we reviewed.

However, there may be a lack of clarity over the role and purpose of sub-committees if the terms of reference are not sufficiently detailed, with clear definitions of the responsibilities of each Committee and the Chairs. This is particularly important for Active Lancashire where there has been wholesale change in the membership of both Committees, to ensure all new members understand their roles and responsibilities.

RECOMMENDATION

Active Lancashire should review its Committees' terms of reference and add specific details on the roles and responsibilities of both the relevant committee and the Chair. We have provided an example of an Audit & Finance Committee terms of reference in Appendix II, which Active Lancashire may wish to consider when revising its terms of reference.

PEOPLE

REF 5

SIGNIFICANCE - MEDIUM

NEDS DO NOT RECEIVE A FORMAL PERFORMANCE APPRAISAL

Active Lancashire have 12 Board members including the Chair, a Senior Independent Non-Executive Director (Senior INED) and three Councillors from Lancashire County Council.

As part of the Board's and individual NEDs' development, it is expected that formal performance appraisals are conducted annually with written records retained. These would typically be conducted by the Chair with the Senior INED completing the Chair's performance appraisal with feedback from all other Board members received in advance.

However, Active Lancashire do not currently have a process in place to ensure one-to-one appraisals are undertaken at least annually. Board members confirmed that they had not had an appraisal to identify performance strengths and weaknesses, and development opportunities.

Whilst we appreciate there has been significant turnover within the Board and 50% of its members have only been in place since September 2021, it is expected that an annual appraisal process is completed for each NED and the outcomes/discussions are documented. For new Board members, this discussion could be more shaped around their ambitions and objectives as Board members, as a performance evaluation may not be appropriate.

There is a risk that performance and development opportunities for individuals on the Board are not raised and evaluated if each Board member and the Chair are not subject to an annual appraisal.

RECOMMENDATION

Active Lancashire should develop an annual appraisal process for its NEDs. We have provided an example of a Board member appraisal good practice guide and a self-assessment form in Appendix IV of this report which Active Lancashire could use as the basis for future Board appraisals. However, this should be supplemented by a discussion with the Chair from which the agreed action plan section should be completed. Completed appraisal forms should be retained confidentially by the HR Team.

PEOPLE

REF 6

SIGNIFICANCE - MEDIUM

NOT ALL BOARD MEMBERS HAVE COMPLETED THEIR SKILLS SELF-ASSESSMENT AND THE SKILLS ASSESSMENT PROCESS IS NOT FIT FOR PURPOSE

Board skills matrices are practical tools, used to support the Board to understand the variety of skills, knowledge and experience as well as potential skill gaps amongst Board members. Furthermore, the Board skills matrix can be used to support the organisation's recruitment of Board members to fill any skill gaps identified or allocate Board members to committees suited to their skill-set.

Current process

Active Lancashire complete a Q3 HR Skills Assessment annually in October or November. All staff and Board members are sent a skills assessment form and an equal opportunities form to complete.

However, not all Board members have completed the form and therefore these have not been collated into a single Board skills matrix document, which should be prepared for the September 2022 Board meeting. At present, only nine of the 12 Board members have completed their skills assessment form.

Issues arising

Furthermore, we noted the following issues from Active Lancashire's Board skills assessment arrangements:

- The Board skills assessment is anonymous, upon the request of Board members. However, the anonymity of the skills assessment reduces its effectiveness in the following ways:
 - Appropriate individuals may not be allocated to Committees based on their skills, knowledge, and experience if the Board skills matrix is anonymous. Active Lancashire recently had a wholesale change in its Committee membership (see Observation), therefore an up-to-date skills matrix with scores for each NED would have been useful to inform the allocation of individuals to Committees
 - The anonymous skills matrix may give Active Lancashire a false perception of the skills gaps on the Board. For example, if the skills matrix shows that there are adequate skills/knowledge in a specific subject but the individual with the high skills/experience is due to finish their term then this may result in a skills gap arising without Active Lancashire being fully aware of it
 - Active Lancashire are unable to identify and support individual Board members who may need further development in certain areas
 - The anonymity of the equal opportunities results in the Board not being able to ascertain the lived experiences of different Board members, which could be beneficial in Board discussions
 - It can be difficult for Active Lancashire to chase members that have not completed the skills matrix as they will not be aware of who has and has not completed the self-assessment form.
- The skills assessment is conducted at a fixed point each year and is aimed to inform the skills gaps for recruitment to the Board for the following 12 months. However, the most recent round of Board recruitment was conducted in September 2021, prior to the skills assessment forms being issued to Board members. Therefore, according to the HR, Remuneration & Nominations Committee papers for the meeting on 9 September 2021, the skills gaps were informed by the Board Skills Matrix from September 2019 and discussions between the CEO and Chair, which may not fully reflect the Board's collective skills, knowledge and experience
- There were some skills/knowledge areas not included on the HR Skills Assessment that we would expect to see on a Board skills matrix, such as cyber, and data protection. These have been included in our template Board skills matrix in Appendix V.

There is a risk Board skills matrices are not used effectively if they remain anonymous, engagement/completion by NEDs is inadequate and if they are not proactively completed prior to recruitment of Board members. This could result in the Board having insufficient skills in certain areas or not allocating members to Committees appropriate to their skills and knowledge, reducing the overall effectiveness of the Board.

RECOMMENDATION

- A. The Board skills matrix should not be completed anonymously and the master matrix should show the skills scores of each Board member against each area. Average scores from across the NEDs could be totalled for each skill area to identify areas of strength/weakness. This will also allow Active Lancashire to follow up on

the Board members that have not returned their skills self-assessment. We have provided an example of an effective skills matrix in Appendix V.

- B. Future skills assessments should be completed in advance of Board recruitments to ensure that skills gaps are addressed at the earliest opportunity.

PEOPLE

REF 7

SIGNIFICANCE - MEDIUM

BOARD SUCCESSION PLANNING ARRANGEMENTS WERE NOT IN PLACE

Succession planning arrangements support organisations to maintain continuity within its workforce and its Board/Committees by ensuring an adequate coverage of skills within key roles.

Staff Succession Planning

Active Lancashire have a succession plan for its workforce, identifying officers that could step up into key roles in the short-term, medium-term (1-2 years) and long-term (2+ years). A Retention Plan supports with a RAG rating for each member of staff based on when they are expected to leave the organisation. These are overseen by the HR, Remuneration & Nominations Committee and provide Active Lancashire with sufficient assurance that key roles are covered if a member of staff left or was absent.

Board Succession Planning

However, such arrangements are not in place for the Board and its Committees, leaving the Board vulnerable to a lack of preparedness if Board members were to leave the organisation. A Board succession plan was formed in 2017, including who would cover key roles if they were to become vacant, which is more aligned to short-term continuity planning. However, there was a lack of proactive planning over when Board member's terms were due to end and how their skill-sets could be covered on the Board/Committees to support continuity.

In late 2021, there was significant changeover in the Board and Committee with six Board members leaving, including three from Lancashire County Council.

We were informed that the Board were not notified of this changeover in advance and simply received an email stating that the three Council officers were being replaced by three Councillors. Furthermore, the following recent turnover in Board members reinforces the importance of a clear succession plan:

- The former Chair of the Board left Active Lancashire along with the Senior INED meaning that a new Chair and Senior INED had to be recruited/appointed. Recruitment processes were followed for both roles, leading to appointments being made
- There was a complete change in the membership of the Audit & Finance Committee and the HR, Remuneration & Nominations Committee. The former Chair of the Audit & Finance Committee was a former Council officer and therefore had to resign due to the change in Council representatives on the Board. However, we were informed that there was an effective handover to the new Audit & Finance Committee Chair and our review of the Committee minutes from 24 April 2022 (the meeting after the change) identified that it continued to be effective.

Impact of anonymous skills matrix (see also Finding 6)

Additionally, the anonymous nature of the Board skills matrix means that Active Lancashire are not able to plan their recruitment/development of existing members to improve the skills to cover any members that are coming towards the end of their terms.

Inadequate succession planning for the Board, including noting the term end dates of key roles, could lead to a lack of continuity.

RECOMMENDATION

- A. A Board succession plan should be developed, mirroring the model of the staff succession and retention plans. This should identify the term end dates of each Board member, actions in place to retain Board members and contingencies for covering/replacing key roles
- B. The Board succession plan should remain under review annually by the HR, Remuneration & Nominations Committee
- C. The Board should stagger the term end dates of the most recent Board appointments (involving the Council in relevant discussions if appropriate) to prevent all of these new Board members leaving at the same time.

We have provided a Board Succession Plan template that Active Lancashire may wish to adopt in Appendix VI.

PEOPLE

REF 8

SIGNIFICANCE - LOW

THE APPOINTMENT PROCESS FOR THE MOST RECENT BOARD APPOINTMENTS WAS NOT UNDERSTOOD BY SOME BOARD MEMBERS

New members are recruited to the Active Lancashire Board to ensure the Board has a diverse range of skills and experiences. The Board recruitment pack is approved by the HR, Remuneration & Nominations Committee annually consisting of the job advertisement, details of the role of a Board member, Director Code of Conduct, information about the organisation.

We reviewed the latest recruitment of NEDs in September 2021 and confirmed that a clear process was followed, where candidates were shortlisted and interviewed by an interview panel.

Policy

However, there is not a formal Board Recruitment Policy outlining the process for appointing new Board members to the organisation. We would typically expect a policy to state at a minimum:

- Requirement to publicly advertise for new Board member roles
- Process for shortlisting and interviewing candidates
- Scoring/evaluation process of candidates
- Requirement for the HR, Remuneration & Nominations Committee to formally approve the recommended appointment and make a recommendation to the Board
- Final approval of the Board for the new member.

In the last round of recruitment, preferred candidates were informed that they had been successful with the caveat that the decision was subject to Board approval.

Perception of a Board member

The absence of a Board Recruitment Policy and clear communication of the appointments process to Board members appears to have caused confusion for a Board member who

informed us that they perceived the successful candidates had already been formalised and told of their appointment prior to the Board's approval.

Actual process

The interview panel wrote to all Board members outlining the process and the recommendations for appointment. Board members were given the opportunity to raise any issues with the selection of new Board members in a confidential Board session on 24 November 2022 however, there was no formal vote on whether the proposed candidates should be appointed. Although, the minutes do note that the Board came to a consensus to approve all appointments. The appointment proposals were then sent to Lancashire County Council to approve.

RECOMMENDATION

A formal Board Recruitment Policy should be developed outlining the following areas at a minimum:

- Requirement to publicly advertise for new Board member roles
- Process for shortlisting and interviewing candidates
- Scoring/evaluation process of candidates
- Requirement for the HR, Remuneration & Nominations Committee to formally approve the recommended appointment and make a recommendation to the Board
- Final approval of the Board for the new member.

For clarity, it should also establish parameters around when candidates may be contacted to indicate they have been successful, taking into account the formal Board approval process and the practicalities of ensuring candidates remain interested in the role.

STANDARDS & CONDUCT

REF 9

SIGNIFICANCE - LOW

CONFLICTS OF INTERESTS WERE NOT RECORDED ON BOARD MEMBERS' FORMS FOR ORGANISATIONS PERCEIVED AS 'UNRELATED' TO ACTIVE LANCASHIRE

Section 6 of the Board's Induction Pack requires all Board members to declare any situational and transactional conflicts of interest, for example, where they are affiliated or beneficiaries of an organisation that have transactions with Active Lancashire, or where their involvement in another party may raise tensions.

The Director's Code of Conduct requires Board members to act with integrity and avoid any personal conflicts of interest or misuse of organisation funds or assets. All Board members must complete and sign the Declaration of Interest Form upon appointment then annually thereafter. Interests of all NEDs are retained on the Register of Interests.

Whilst we noted that all NEDs and senior management had completed their declaration of interests form and that the Register of Interests had been updated accordingly, we found:

- The declaration of interest form only requires members to record relations to other Board members/management/employees and interests that may relate to the work of the Active Lancashire, meaning that other interests that are not perceived to relate to Active Lancashire are not declared. This could result in members not declaring interests in organisations that subsequently have a relationship with Active Lancashire
- Subsequently, four NEDs held directorships in other organisations which had not been declared, possibly due to the perceived non-relationship with Active Lancashire. For all of these organisations, we reviewed Active Lancashire's purchase ledger and confirmed that no purchases had been made with any of them

- Senior management team’s conflicts of interest declarations were not included on the Register of Interests. Whilst the senior management team are not formal Board members, they regularly attend Board meetings and have key roles in decision making therefore we would expect them to be included on the Register of Interests. From a review of the transaction listing between 1 June 2021 and 31 May 2022 there did not appear to be any transactions with these organisations
- Three Councillors from Lancashire County Council joined the Active Lancashire Board in late-2021 however, their completed Declaration of Interests Form was not returned to the organisation until June/July 2022, meaning that they took part in several Board and Committee meetings without formally declaring their conflicts of interest, however, there were opportunities to declare interests at meetings.

There is a risk that conflicts of interests are not identified if Board members are not required to declare their entire portfolio of interests, even where there is perceived to be no conflict with Active Lancashire.

RECOMMENDATION

- A. The Declaration of Interest Form should be amended to require Board members and senior management to declare all other interests, regardless of whether they relate directly to Active Lancashire. These should be collated onto the Register of Interests to ensure that Active Lancashire are aware of any potential conflicts that may arise
- B. The senior management team’s interests should be added to the Register of Interests
- C. Board members should be reminded prior to partaking in any Board, Committee or decision-making roles that they must complete their Declaration of Interests Form. This should be applied to any future Board appointments or changes in Lancashire County Council representation on the Board.

POLICIES & PROCESSES

REF 10	SIGNIFICANCE - LOW
--------	--------------------

NEDS USE PERSONAL EMAIL ADDRESSES FOR ACTIVE LANCASHIRE COMMUNICATION WHICH EXPOSES THEM TO GREATER RISK OF CYBER THREATS

Active Lancashire issue Board and Committee papers to its NEDs via email. However, NEDs do not have company email accounts and instead access information via personal email accounts or accounts from different organisations which may not be subject to additional security that Active Lancashire will have as part of their cyber security protocols. We were informed that all NEDs are offered Active Lancashire email addresses when joining the organisation however, this option is rarely taken up. This risk was raised by a NED at the Audit & Finance Committee meeting on 7 June 2021 but no further action has been taken to ensure all Board members are set up with an Active Lancashire email account. Furthermore, we were informed that an externally provided cyber training session was arranged at the request of Board however, only three of the 12 Board members attended.

The use of personal email addresses could increase the likelihood of hacking or phishing attacks and the loss of data and/or information. Active Lancashire have processes in place to ensure that email accounts are backed up and that they have anti-virus software such as firewalls, however, there is no guarantee that personal email accounts are subject to the same level of security. We were informed that Active Lancashire do request Board members use email addresses that are secure to access company information and use business email addresses where possible.

We acknowledge that for practicality reasons it is easier for NEDs to use personal email addresses to share and receive information. However, these are a higher risk to growing

cyber security threats across organisations. It also raises a risk around retention of information if a NED leaves as Active Lancashire will not be able to access information that is held in personal email accounts.

RECOMMENDATION

- A. All NEDs should be provided with an Active Lancashire email address which is subject to the same security arrangements as all staff email addresses. All Active Lancashire-related communication should be conducted through these company email addresses.
- B. As part of device management and configuration, personal devices that are used to access Active Lancashire email address accounts should be assigned view-only access to prevent risk of accidental or malicious loss of data; they should not be able to download.

POLICIES & PROCESSES

REF 11

SIGNIFICANCE - LOW

ACTIVE LANCASHIRE DO NOT HAVE A DETAILED AND CLEAR RISK MANAGEMENT POLICY

Risk Management Policy

Risk management is a key component of any organisation to ensure risks are identified, monitored and managed. A clear risk management policy provides direction from the Board as to what are acceptable and unacceptable risk-taking behaviours in the organisation.

Active Lancashire's Risk Management Policy is included under Section 13 of the Financial Controls Manual. It articulates that Active Lancashire's Business Plan will identify areas of risk with a Risk Register forming the action plans to mitigate them, and the responsibility of the ELT to review these regularly.

However, the Risk Management Policy was brief and excluded key areas of information we would expect, including:

- An outline of Active Lancashire's risk appetite, for example, areas where they are willing or unwilling to tolerate risks. We have provided an example of a Risk Appetite Statement in Appendix VII of this report
- Various categories and the reporting frameworks depending on categories, as well as the risk appetite for each category, for example, funding, governance, project delivery.
- Expected training for staff on risk management, including guidance on how to raise and manage risks appropriately.

Risk Register

Active Lancashire have a Risk Register in place which is monitored quarterly by the Audit & Finance Committee. The Risk Register is accompanied by a Risk report, which outlines new/emerging risks, the critical impact risks and those that have increased in significance.

Our review of the Audit & Finance Committee meetings noted that there was robust oversight and challenge on key risks on the Risk Register, however we identified the following areas that could be strengthened:

- There was not an inherent and residual risk score identified for each risk. Identifying the residual risk score shows the effectiveness of the mitigating controls and supports the Audit & Finance Committee to assess whether further action may be required to reduce the risk

- Mitigating actions have been identified for each risk but not allocated to a responsible officer for implementation. We would expect a named officer to be responsible, and therefore accountable, for the implementation of the mitigating actions. Similarly, target implementation dates were not identified
- Target risk scores were not identified for each risk. These can inform the Committee of the action taken and provide greater assurance on whether the risk has been reduced enough to fit in with the risk appetite.

Future development of the risk management framework

Active Lancashire are considering developing a Board Assurance Framework to capture its key corporate risks. It would then have a Risk Register aligned to this with specific risks for management to monitor and mitigate.

This has not yet been embedded into Active Lancashire's risk management process.

Overall, our view is that Active Lancashire's risk management arrangements were working well in practice, and it was clear from our review that there was a focus on understanding and reducing risks, however, there was scope to further improve the risk management processes and documentation.

RECOMMENDATION

- A detailed Risk Management Policy should be developed outlining how risks should be identified, managed and categorised. It should also outline responsibilities regarding risk management and training for staff. We have provided an example of a Risk Management Policy in Appendix VII
- Active Lancashire's Risk Register format should be revised expanding the current Risk Register to include the following columns:
 - Inherent and residual risk scores. This should use the existing risk matrix of impact and likelihood, identify the overall risk score prior to and after the implementation of the existing mitigating controls
 - Responsible officer for implementing the mitigating actions
 - Implementation date for the mitigating actions
 - Target risk score, based on the existing risk matrix (This aims to clearly articulate the risk appetite of the Board in a practical way).

OBSERVATIONS

Board / Committee Turnover

In September 2021 three Board members resigned or finished their term and Active Lancashire subsequently appointed three new Board members.

This coincided with Lancashire County Council changing its three representatives on the Board from Council officers to Cabinet members. As a result, 50% of the Board changed, including: the Chair of the Board, the Chair of the Audit & Finance Committee and the Chair of the HR, Remuneration & Nominations Committee all leaving Active Lancashire. This also led to a complete change in the make-up of the Committees.

Active Lancashire have filled the vacant posts on the Committees. Whilst this risk did not materialise, in this case, there is potential that wholesale change to the Board/Committee membership could impact the continuity of business due to a loss of organisational memory, especially where key roles are being replaced. Additionally, high changeover can result in a new Board not being up-to-date with Active Lancashire's business as-usual information, which could reduce the effectiveness of monitoring/oversight.

This links in with Finding 6 around the importance of succession planning for these roles and awareness of when Board member's terms are due to end.

Board Meeting Timings

Active Lancashire hold quarterly Board and Committee meetings that are scheduled to last for two hours each. Although we noted that these meetings were effective and that the Board/Committees maintained effective oversight of performance, we were informed by Board members that the agenda sometimes felt rushed and it would be more beneficial to have longer discussions on some areas.

One Board member interviewed also expressed that the agenda is focused on 'business as usual' and there is not sufficient time for a higher level strategic outlook on the organisation's direction.

Good Practice

- Our review of the Board minutes identified that the Board were engaged in its discussions and challenge towards the management team, particularly over strategic, operational and finance issues. There were contributions from across the Board which supported effective and constructive debates. This healthy culture of scrutiny and challenge was also reflected in minutes of the HR, Remuneration & Nominations Committee and the Audit & Finance Committee.
- We identified robust oversight of safeguarding by the HR, Remuneration & Nominations Committee who received a Safeguarding Report, detailing the live cases and actions being taken against them, at each meeting. The Children's Safeguarding Policy and the Adult Safeguarding Policy were reviewed regularly and kept up to date. These were included in the Employee Handbook which is distributed to all staff.
- Quarterly finance reports presented to Audit & Finance and the Board were detailed and provided robust levels of information to support effective oversight. For example, the profit or loss position, balance sheet and funding stream breakdowns were provided with contextual narrative outlining key movements or areas for the members to note. The reports also identified any bad debts, reserves position and key financial risks, linking back to the financial strategy. Where relevant, reports included information about charity accounting to support member's understanding of the accounts
- To support the 5-year Financial Plan, the July 2021 Finance report identified the forecasted income streams over the following five years with a breakdown between agreed funding, funding that had been applied for but not yet confirmed, and targeted funding that had not yet been applied for. Board members informed us that this report was useful to support risk management around income streams to ascertain the likelihood of these being realised. Our assessment of the reporting agreed with this, noting the clear structure and quality of the financial reporting
- Active Lancashire have a stakeholder matrix in place where the 'Big 5' stakeholders have been identified with actions on how it will maintain good relationships with them, marketing/communication platforms and information of interest to each of the stakeholders. Updates on relationships with the 'Big 5' are reported to the Board each quarter in the CEO report. This is supported by Active Lancashire's Marketing Strategy which has identified channels of communication with key stakeholders, with support and engagement to shape the strategy from the Board
- The Director Induction Pack provides new Board members with a detailed account of the organisation's purpose, objectives, and the roles and responsibilities of Board members. The Induction Pack is reviewed annually to ensure it remains relevant and issued to new Board members upon appointment. We interviewed several new Board members who informed us that they found the induction process to be useful, including an opportunity to meet the CEO.

Assurance

- Active Lancashire have an annual Board and Committee annual workplan which identifies the topics that will be covered at various points of the year, for example, reviewing certain policies, annual review of external audit report and accounts, review of the Strategy. This ensures that key topics are covered on an annual basis at least however, we noted from our review of the minutes of the Board and Committee meetings that areas such as strategy were discussed more regularly by the Board
- Active Lancashire 10-year 'Decade of Movement' Strategy was reviewed and approved by the Board in line with the 5-year Financial Plan. The Strategy outlines the organisation's vision and objectives over the next 10 years which feeds into the projects it delivers to increase physical activity within the county. The delivery of the Strategy and organisational performance was monitored effectively through the Integrated Performance Report (IPR), which is included in the quarterly Board papers. This document measures performance against all KPIs and applies a RAG rating to identify whether performance is on target. The IPR has been refined in conjunction with the Board over the past 12 months and we noted that the May 2022 IPR was the clearest so far
- The Board and Audit & Finance Committee maintained adequate oversight of the reserves position, which was presented in each Finance report. The Reserves Policy, at £330k, considers the lease obligations and redundancy costs of winding the company down. Each Finance report provided the amount of unrestricted reserves held by Active Lancashire and the coverage to the reserves policy. At May 2022, the unrestricted reserves were £470k
- Actions agreed at Board and Committee meetings are recorded on an Actions Log. At the start of each meeting, the Board/Committee review the Actions Log and receive an update on the outstanding actions, or mark completed actions. We noted that actions from previous meetings were followed up on until completed
- An Internal staff complaint was thoroughly investigated by a member of the HR, Remuneration & Nominations Committee, who reviewed email evidence, interviewed various staff and prepared a final report summarising the outcome of the investigation. It was found that the complaint was not upheld but provided some recommendations which have been implemented to support improved relationships
- All Board members had completed their Declarations of Interest, although in some instances not all interests were declared (see Finding 8), and the Chair provided the opportunity for members to declare any interests at each Board and Committee meeting
- Despite relative uncertainty around funding income, with the European Structural Investment Funding ceasing in December 2023 to be replaced by the UK Shared Prosperity Fund, the Board were confident in the management team's abilities to deliver the organisation's objectives and meet income targets. We noted that Active Lancashire have set out its growth objectives within the 5-year Financial Plan, with clarity over the income sources, therefore, supporting the Board members' views over effective financial management. Details of the assumptions made in the income forecasts have been reported to the Audit & Finance Committee and the Board, supporting decision making of the Board

- Active Lancashire conducted its own mid-year staff survey in March 2022 and took part in the national Active Partnership’s staff survey in June 2022. The results of the survey’s identified a positive culture within the organisation with:
 - 89% of respondents indicating that a culture of teamwork is embedded within the organisation
 - 77% stating that staff morale was high, with 21% neither agreeing nor disagreeing with the statement.
 Broadly, Active Lancashire’s staff survey results were more positive than in 2021 and in comparison to average Active Partnership scores reflecting the positive environment that has been created.
- A Governance Plan is in place which assesses whether Active Lancashire are compliant with each provision in the Code. Actions to ensure and maintain compliance with the Code are recorded on the tracker which is reviewed by the Board annually. The Governance Plan identified that Active Lancashire have self-assessed as broadly compliant with the Code with some areas that require a review to maintain good practice
- Orchard Insights conducted an external Board Effectiveness Review of Active Lancashire in 2017, identifying it as a ‘well governed charity that has made significant investment into improvement activities to meet sector leading standards’. Some areas for improvement were identified around Board diversity, strategic leadership from the Board and performance monitoring. Actions have been implemented to improve these areas since, with a focus of improving Board diversity during the latest round of recruitment
- We reviewed the recruitment process for three NEDs appointed November 2021 and for the Chair who was appointed at the same date and confirmed that there was an open and fair recruitment process. This involved publicly advertising the role, interviewing a range of candidates and agreeing as an interview panel on the successful candidates. Although we have raised a finding around the lack of a Recruitment Policy and concerns over the communication with the successful candidates (see Finding 7), the process for appointing the new NEDs and the Chair were adequate
- We were informed that Board members manage personal conflicts on the Board well, understanding and meeting their fiduciary responsibilities to the Active Lancashire Board. The benefits of a having a stakeholder Board, with representation from Cabinet members of Lancashire County Council, outweighed the risks relating to conflicts that may arise with those members.

ACTION TABLES FOR COMPLETION

The following tables set out the recommendations from our report. The recommendations are in three tables - the first table sets out the high recommendations, followed by the medium and then low. Each recommendation is referenced to the principle area and finding it relates.

We require Active Lancashire to complete the management response, responsible officer and implementation date providing the month and year for all recommendations. Please provide a response to each part of the recommendation i.e. a, b, c etc. Your responses are required by 19 September 2022 or earlier.

ACTION PLAN - MEDIUM FINDINGS

STRUCTURE	1	<p>A. The process for setting and approving the ELT's remuneration should be documented with timelines for the Board required to approve any recommendations for salary increases. The HR, Remuneration & Nominations Committee should make a recommendation to the Board in the meeting that follows the ELT's appraisals with the final decision being subject to Board approval</p> <p>B. Board members should be reminded that where issues require Board approval, this should be obtained prior to notifying others to ensure consistent messaging/communication.</p>	<p>A. Proposed revised process to be considered at HR, R&N Committee</p> <p>B. Board members to be advised and issued with the revised process at following Board meeting.</p>	CEO	November 2022
STRUCTURE	2	The Chair should hold open and frank discussions with Board members on the expectations and engagement required of them outside of Board meetings, including the need to ensure all administrative documentation is completed in a timely manner and that training/workshops should be attended, except for pre-agreed reasons with the Chair.	Board reflection sessions included as part of each Board meeting going forward. Board Chair will lead an opportunity to reflect on Board engagement.	Chair	Ongoing
PEOPLE	5	Active Lancashire should develop an annual appraisal process for its NEDs. We have provided an example of a Board member appraisal good practice guide and a self-assessment form in Appendix IV of this report which Active Lancashire could use as the basis for future Board appraisals. However, this should be supplemented by a discussion with the Chair from which the agreed action plan section should be completed. Completed appraisal forms should be retained confidentially by the HR Team.	<p>Board to consider this option to commit to being part of an appraisal process.</p> <p>Based on feedback a process and format for the appraisal system to be developed, overseen by the HR, R&N Committee for Board consideration.</p>	<p>Chair</p> <p>Chair of HR, R&N Committee, supported by CEO</p>	<p>September 2022</p> <p>November 2022</p>

PEOPLE	6	<p>A. The Board skills matrix should not be completed anonymously and the master matrix should show the skills scores of each Board member against each area. Average scores from across the NEDs could be totalled for each skill area to identify areas of strength/weakness. This will also allow Active Lancashire to follow up on the Board members that have not returned their skills self-assessment. We have provided an example of an effective skills matrix in Appendix V.</p> <p>B. Future skills assessments should be completed in advance of Board recruitments to ensure that skills gaps are addressed at the earliest opportunity.</p>	<p>A. Board to consider approval of the collection of identified skills data in future</p> <p>B. Board to commit to implementing skills reviews within Q3 timeline as outlined in Board work plan annual cycle.</p>	<p>Chair</p> <p>Chair, supported by CEO</p>	<p>September 2022</p> <p>November 2022</p>
PEOPLE	7	<p>A. A Board succession plan should be developed, mirroring the model of the staff succession and retention plans. This should identify the term end dates of each Board member, actions in place to retain Board members and contingencies for covering/replacing key roles</p> <p>B. The Board succession plan should remain under review annually by the HR, Remuneration & Nominations Committee</p> <p>C. The Board should stagger the term end dates of the most recent Board appointments (involving the Council in relevant discussions if appropriate) to prevent all of these new Board members leaving at the same time.</p> <p>We have provided a Board Succession Plan template that Active Lancashire may wish to adopt in Appendix VI.</p>	<p>A. Board succession plan template to be developed for consideration at HR, R&N Committee</p> <p>B. HR, R&N Committee to receive this plan annually in the October / November Q3 Board Cycle</p> <p>C. Chair and CEO to discuss this action with the LCC nominated Board members</p>	<p>CEO</p> <p>CEO</p> <p>Chair/CEO</p>	<p>November 2022</p> <p>Ongoing</p> <p>December 2022</p>

ACTION PLAN - LOW FINDINGS

STRUCTURE	3	<p>A. Active Lancashire should develop a terms of reference for the Board using the standard terms of reference template currently used for its sub-committees. As a minimum, the terms of reference should cover:</p> <ul style="list-style-type: none"> • Purpose of the Board • Roles and responsibilities of the Board in sufficient detail, including the Active Lancashire Board's responsibility to maintain oversight of its sub-committees • Matters reserved for the Board • Specific roles for the Chair in managing/leading the Board • Composition of the Board • Quorum • Frequency of meetings • Information requirements for example, standing agenda of reports to be presented to the Board and when they should be provided to Board members by. <p>We have provided an example of a Board terms of reference in Appendix I.</p> <p>B. A cover sheet should be added to the Board terms of reference showing the current version reference and the date the terms of reference was last reviewed and approved. We have provided an example of this is Appendix III.</p>	<p>A. Board to consider formation of a working group to produce / revise the TOR of the Board and Committees to follow a standard TOR template</p> <p>B. Cover sheet to be added to indicate date of review and Board approval for all TOR.</p>	<p>Chair/CEO</p> <p>Company Secretary</p>	<p>November 2022</p> <p>November 2022</p>
STRUCTURE	4	<p>Active Lancashire should review its Committees' terms of reference and add specific details on the roles and responsibilities of both the relevant committee and the Chair. We have provided an example of an Audit & Finance Committee terms of reference in Appendix II, which Active Lancashire may wish to consider when revising its terms of reference.</p>	<p>Board to consider formation of a working group to produce / revise the TOR of the Board and Committees to follow a standard TOR template</p>	<p>Chair/CEO</p>	<p>November 2022</p>

PEOPLE	8	<p>A formal Board Recruitment Policy should be developed outlining the following areas at a minimum:</p> <ul style="list-style-type: none"> • Requirement to publicly advertise for new Board member roles • Process for shortlisting and interviewing candidates • Scoring/evaluation process of candidates • Requirement for the HR, Remuneration & Nominations Committee to formally approve the recommended appointment and make a recommendation to the Board • Final approval of the Board for the new member. <p>For clarity, it should also establish parameters around when candidates may be contacted to indicate they have been successful, taking into account the formal Board approval process and the practicalities of ensuring candidates remain interested in the role.</p>	HR, R&N Committee to receive Board recruitment policy process guidance for consideration and adoption.	CEO	January 2023
PEOPLE	9	<p>A. The Declaration of Interest Form should be amended to require Board members and senior management to declare all other interests, regardless of whether they relate directly to Active Lancashire. These should be collated onto the Register of Interests to ensure that Active Lancashire are aware of any potential conflicts that may arise</p> <p>B. The senior management team's interests should be added to the Register of Interests</p> <p>C. Board members should be reminded prior to partaking in any Board, Committee or decision-making roles that they must complete their Declaration of Interests Form. This should be applied to any future Board appointments or changes in Lancashire County Council representation on the Board.</p>	<p>A. Board and Senior staff (ELT members) required to complete DoI forms</p> <p>B. DoI forms added to Register of Interests</p> <p>C. Board members to be reminded of potential conflicts of interests through Board level training. Chair to advise.</p>	<p>Chair/CEO</p> <p>Company Secretary</p> <p>Company Secretary</p>	<p>November 2022</p> <p>November 2022</p> <p>September 2022</p>

POLICIES & PROCESSES	10	<p>A. All NEDs should be provided with an Active Lancashire email address which is subject to the same security arrangements as all staff email addresses. All Active Lancashire-related communication should be conducted through these company email addresses.</p> <p>B. As part of device management and configuration, personal devices that are used to access Active Lancashire email address accounts should be assigned view-only access to prevent risk of accidental or malicious loss of data; they should not be able to download.</p>	<p>A. Board to consider the option to adopt Active Lancashire email addresses to maximise communications security</p> <p>B. Investigate the opportunities to implement an effective view only option on personal devices.</p>	<p>Chair</p> <p>CEO/ISO 27001 Working Group</p>	<p>September 2022</p> <p>January 2023</p>
POLICIES & PROCESSES	11	<p>A. A detailed Risk Management Policy should be developed outlining how risks should be identified, managed and categorised. It should also outline responsibilities regarding risk management and training for staff. We have provided an example of a Risk Management Policy in Appendix VII</p> <p>B. Active Lancashire’s Risk Register format should be revised expanding the current Risk Register to include the following columns:</p> <ul style="list-style-type: none"> • Inherent and residual risk scores. This should use the existing risk matrix of impact and likelihood, identify the overall risk score prior to and after the implementation of the existing mitigating controls • Responsible officer for implementing the mitigating actions • Implementation date for the mitigating actions • Target risk score, based on the existing risk matrix (This aims to clearly articulate the risk appetite of the Board in a practical way). 	<p>A. Revised Risk management policy to be developed for consideration at Audit & Finance Committee</p> <p>B. Audit & Finance Committee to consider adoption of the expanded format.</p>	<p>A&F Chair / Director of Finance</p> <p>A&F Chair / Director of Finance</p>	<p>January 2023</p> <p>January 2023</p>

STAFF INTERVIEWED

BDO LLP APPRECIATES THE TIME PROVIDED BY ALL THE INDIVIDUALS INVOLVED IN THIS REVIEW AND WOULD LIKE TO THANK THEM FOR THEIR ASSISTANCE AND COOPERATION

STAFF NAME	JOB ROLE
Adrian Leather	Chief Executive
Stuart Oliver	Director of Finance
BOARD MEMBERS	
Brian Cookson	Chair of the Board
Amanda Parker	Board Member
David Clarke	Chair of Audit & Finance Committee
Roger Davies	Board Member
Sherry Kothari	Senior Independent Director

APPENDIX I - FINDINGS LINKED TO THE CODE

This table reports which section of the Code for Sports Governance the findings relate. These should be read alongside the commentary that accompanies that section of the Code.

Finding	Link to Code	Code Detail
2 & 3	1.15	<p>Committee terms of reference should be agreed by the Board. As well as formal responsibilities, best practice suggests terms of reference should also include details about the administration of the Committee, for example:</p> <ul style="list-style-type: none"> • Committee membership • Frequency of meetings • How decisions are recorded and reported to the Board • How many Committee members should be present for a decision to be made (i.e. the quorum); and • whether the Committee can meet and decide matters virtually.
5	4.2	The Board led by the Chair, shall undertake and maintain in writing a record of annual appraisals of each individual Director and the CEO.
6	1.3	Each organisation must maintain an up-to-date matrix detailing the skills, experience, diversity, independence and knowledge required of its Board.
7	2.7	The Board shall have in place continuity plans for the organisation and succession plans for orderly appointments to the Board and to key posts within the organisation.
8	2.4	Each organisation shall have a documented, formal, inclusive, rigorous and transparent procedure for the appointment of all type of directorships to the Board, and all appointments shall be made on merit, in line with the skills and diversity required of the Board.
11	5.7	The organisation shall maintain risk management and internal control systems, which are regularly reviewed and monitored to ensure they are effective and provide reasonable assurance.

APPENDIX II - THE NEW CODE

Area	New Code - changes/requirements	Active Lancashire position
People Plan	<p>Each organisation shall review and discuss its People Plan on, at least, an annual basis and share the findings of that discussion openly with its members and people (e.g. employees, volunteers).</p>	<p>Active Lancashire have a People Plan, built on the succession and retention plans to support the capacity within the workforce. The HR, Remuneration & Nominations Committee has reviewed the staffing structure to assess its appropriateness for targeted growth.</p>
Equality, Diversity, and Inclusion	<p>Each organisation shall publish clear ambitions to ensure its leadership represents and reflects the diversity of the local and/or national community (as appropriate). These ambitions shall be centred on each organisation committing to achieving greater diversity in all its forms on its Board and ELT, as well as where possible, cascading this ambition in line with Requirement 4.1.</p> <p>Each organisation shall create a Diversity and Inclusion Action Plan (DIAP) which, among other things, shall:</p> <ul style="list-style-type: none"> a) Identify actions needed to achieve, support and then maintain the ambitions laid out in 2.1 [above], including how these will be reviewed; b) demonstrate a strong and public commitment to promoting, embedding and advancing diversity and inclusion on the Board, ELT and beyond; c) be published on the organisation's website with an annual update; and d) be agreed with UK Sport and/or Sport England. <p>The Board shall maintain and regularly review the Diversity & Inclusion Action Plan (DIAP) on at least an annual basis.</p>	<p>Active Lancashire have developed its Diversity and Inclusion Action Plan which has been published on its website. In its recent Board recruitment process, increased diversity on the Board was a high priority, which links into its aim to be an 'anti-racism organisation'.</p> <p>Our review of Board minutes and interviews with Board members indicated Active Lancashire's commitment towards this goal, and, although the Diversity and Inclusion Action Plan is reasonably new, there appears to be a positive culture within the organisation towards developing in this area.</p>

Area	New Code - changes/requirements	Active Lancashire position
Annual Governance Statement	Each organisation shall publicly disclose information on its governance, structure, strategy, activities and financial position, including an annual update on governance to enable stakeholders to have a good understanding of them.	The Annual Governance Statement and the financial position was reported annually, with oversight from the Audit & Finance Committee who reported into the Board.
Safeguarding	The Board shall ensure its responsibilities towards the welfare and safety of its members and people (e.g. employees, volunteers) are factored into the decisions it makes and shall appoint one of its directors to take a lead in this area.	There was a positive culture towards safeguarding, with up-to-date children and adult safeguarding policies which were reviewed by the HR, Remuneration & Nominations Committee and included in the Employee Handbook. The HR, Remuneration & Nominations Committee received regular updates on any safeguarding incidences/reports and applied reasonable scrutiny over these.
Cascading	<p>The Board shall set out, promote, and support the implementation of minimum good governance standards:</p> <p>a) throughout its organisation; and</p> <p>b) within its membership and/or associated organisations.</p>	The Board generally set out, promoted and supported good governance. Some issues were raised over engagement with administrative documentation by Board members but overall, it cascaded these principles throughout the organisation.
Board Recruitment	Each organisation shall have a documented, formal, inclusive, rigorous and transparent procedure for the appointment of all types of directorships to the Board, and all appointments shall be made on merit in line with the skills and diversity required of the Board.	Our review of the three latest NED recruitments and the Chair's recruitment identified a clear and transparent process. Issues have been raised around the communication and approval of the NED appointments but, the process was robust with shortlisting and interviews of candidates to determine those with the most appropriate skills.
Succession planning	The Board shall have in place succession and continuity plans for orderly appointment to the Board and to key posts within the organisation.	<p>For staff, a clear succession and retention plan is in place.</p> <p>However, there was not a clear and up to date Board succession plan in place. This has been highlighted in Finding 7.</p>

APPENDIX III - DEFINITIONS

Scope Area	OUTSTANDING	GOOD	MEETING STANDARDS	BELOW STANDARDS	INADEQUATE
Structure	Organisation has outstanding governance structures, led by a Board which shows exceptional collective responsibility for the long-term success of the organisation. The Board demonstrates it is exclusively vested with the power to lead the organisation and does so to a standard consistently higher than peers as a sector leading organisation. The Board is properly constituted, and operate effectively	Organisation has good governance structures, led by a Board which shows good collective responsibility for the long-term success of the organisation. The Board demonstrates it is exclusively vested with the power to lead the organisation and does so to a standard sometimes higher than peers. The Board is properly constituted, and operate effectively	Organisation has a clear and appropriate governance structure, led by a Board which is collectively responsible for the long-term success of the organisation and exclusively vested with the power to lead it. The Board is properly constituted, and operate effectively	Organisation has an unclear and/or ineffective governance structure led by a Board which is performing below standards in accountability and responsibility for the long-term success of the organisation. The Board is not fully vested with the power to lead it. The Board may not be properly constituted, and may not operate effectively	Organisation has an unclear and inadequate governance structure, led by a Board which has low accountability and responsibility for the long-term success of the organisation. The Board is not vested with the power to lead the organisation. The Board is not properly constituted, and do not operate effectively
People	Organisation demonstrate to a standard consistently higher than peers that they recruit and engage people with appropriate diversity, independence, skills, experience and knowledge to take highly effective decisions that significantly further the organisation's goals	Organisation demonstrate to a standard sometimes higher than peers that they recruit and engage people with appropriate diversity, independence, skills, experience and knowledge to take good and effective decisions that further the organisation's goals	Organisation recruit and engage people with appropriate diversity, independence, skills, experience and knowledge to take effective decisions that further the organisation's goals	Organisation may not recruit and engage people with appropriate diversity, independence, skills, experience and knowledge and take decisions to further the organisation's goals that suggest underlying controls are below standards	Organisation do not recruit and engage people with appropriate diversity, independence, skills, experience and knowledge and take decisions which are inadequate to further the organisation's goals
Communication	Organisation are highly transparent and accountable to a leading standard, demonstrating	Organisation achieve transparency and accountability to a good standard, demonstrating	Organisation is transparent and accountable, engaging effectively with	Organisation may not be transparent and accountable, and/or may engage with stakeholders in	Organisation is not transparent and accountable, and do not adequately engage with

	highly effective engagement with stakeholders and nurturing internal democracy to consistently higher standards than peers	effective engagement with stakeholders and nurturing internal democracy to a standard sometimes higher than peers	stakeholders and nurturing internal democracy	a way that requires improvement. Organisation may not nurture internal democracy	stakeholders and do not nurture internal democracy
Standards and Conduct	Organisation uphold standards of integrity, and engage in regular and effective evaluation to drive continuous improvement to a standard consistently higher than peers	Organisation uphold standards of integrity, and engage in regular and effective evaluation to drive continuous improvement to a standard sometimes higher than peers	Organisation uphold standards of integrity, and engage in regular and effective evaluation to drive continuous improvement	Organisation uphold standards of integrity that are below standards, and may engage in irregular and ineffective evaluations to deal with standards and conduct	Organisation has inadequate standards of integrity, and engage in irregular and ineffective evaluations to deal with standards and conduct
Policies and Procedures	Organisation complies with all applicable laws and regulations, undertake responsible financial strategic planning, and has appropriate controls and risk management procedures to a standard consistently higher than peers	Organisation complies with all applicable laws and regulations, undertake responsible financial strategic planning, and has appropriate controls and risk management procedures to a standard sometimes higher than peers	Organisation complies with all applicable laws and regulations, undertake responsible financial strategic planning, and has appropriate controls and risk management procedures	Organisation may not comply with applicable laws and regulations. They undertake limited financial strategic planning, and has controls and risk management procedures that are below standards	Organisation do not comply with applicable laws and regulations. They undertake no or inadequate financial strategic planning, and has inadequate controls and risk management procedures

RECOMMENDATION SIGNIFICANCE

High	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the organisation. Remedial action must be taken urgently.
Medium	A weakness in processes which, although not fundamental, relates to shortcomings which expose individual organisation systems to a less immediate level of adverse risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management/Board and requires prompt specific action
Low	Areas that individually have no significant impact, but where management would benefit from improved processes and/or have the opportunity to achieve greater effectiveness and/or efficiency.

APPENDIX IV - TERMS OF REFERENCE

BACKGROUND

Active Lancashire is a Sport England funded partner. Your Funding Agreement sets out that you can be selected for an independent review. Sport England have commissioned BDO to undertake a Governance Review.

Active Lancashire is the strategic lead for sport and physical activity in the County. It facilitates various projects across Lancashire to increase activity, including:

- Active Seconds, a second-hand goods retailer to provide equipment to those participating;
- MPT Steps, offering 1-2-1 mentoring to support to over 4,000 job seekers; and
- the Pendle YES Hub, providing advice to young people on health and nutrition, homelessness, domestic abuse and employment skills.

Active Lancashire have partnered with several local authorities and sports clubs to deliver these services.

Active Lancashire receives funding from several organisations, and it intends to access the UK Shared Prosperity Fund, which is being launched by the government.

The Active Lancashire Board's role and purpose is to govern the organisation's performance, set the direction and provide leadership within a framework of prudent and effective controls which enable risk and performance to be effectively assessed and managed.

The Board currently has twelve Directors, which requires a minimum of three members and no more than twelve members as laid out in the articles of association. The Active Lancashire Board is comprised of a mixture of independent members and representatives from stakeholder organisations:

- Independent Chair (appointed by the Board's Nomination & Remuneration Committee)
- 4 Independent Members (appointed by the Board's Nomination & Remuneration Committee)
- 3 Elected Directors (elected by Lancashire County Council)
- 4 Nominated Directors (nominated by Divert Lancashire, Rossendale Leisure Trust, University of Central Lancashire and the FA Group)
- Chief Executive (ex-Officio)
- Finance Director (ex-Officio)
- The Active Lancashire Board also invites a representative from Sport England to observe.

The following committees are in place:

- **Audit & Finance:** The purposes of this Committee are to ensure good financial governance and to enable the company's financial management and risk assessment to be reviewed in greater detail than is possible at regular Board meetings.

Human Resources, Remuneration and Nominations Committee: The purposes of this Committee are to agree all issues relating to the management of Active Lancashire’s Human Resources, recruit and nominate new Board members, and to agree the remuneration arrangements (including any benefits) of employees.

PURPOSE OF REVIEW

The purpose of the review is not to draw a conclusion on whether you are compliant with A Code for Sport Governance, or your Funding Agreement.

Our role is two-fold:

1. To inform Sport England about our findings and where appropriate, and they deem necessary, they will be responsible for following up any concerns identified.
2. To work with Funded Partners to share insights and knowledge on how to drive forward improvements and support your governance arrangements.

BDO are here to work with you to set the highest standards and ensure you are supported. Our objective is to assess your current environment and work in partnership with you with regard to the size and composition of your organisation to help your organisation on its journey to taking standards to the next level.

SCOPE OF REVIEW

The following areas will be covered as part of this review. The review areas are based on principles of good practice governance and therefore should provide a comprehensive view on governance:

REVIEW AREA	REVIEW FOCUS
<ul style="list-style-type: none"> • Structure - the Funded Partner shall have a clear and appropriate governance structure, led by a Board which is collectively responsible for the long-term success of the organisation and exclusively vested with the power to lead it. The Board shall be properly constituted and shall operate effectively. Specifically, the review will consider: <ul style="list-style-type: none"> ○ Effectiveness of executive and Board and the separation of duties between them i.e. is this clear and set out appropriately ○ Assess mix of Board representation ○ Review minutes and actions and whether these are clear, managed and monitored well 	<ul style="list-style-type: none"> • Review Board and all sub-committee minutes and attachments for the period 1 June 2021 to date • Review minutes and ascertain whether decisions are recorded, and whether actions are followed through to completion • Assess the transparency of information between committees/ sub-groups and the Board as well as Executive to Board • Hold interviews with Chief Executive and selected members of the management team. Also to interview selected members of the board (Chair, Chair of Audit & Finance, and Senior Independent). Focus of these will be on the Executive vs. Board function to understand how this operates and if any improvements could be made

<ul style="list-style-type: none"> ○ Assess the extent of collective agreement for decisions and whether roles and responsibilities for all are clear and followed. Particular focus on the final decision maker and if this is clear ○ Assess the Board and Committee structure to assess divisions of duties and adequacy of reporting ○ Review compliance with Declaration of Good Character requirement. 	<ul style="list-style-type: none"> • Review the operational v strategic balance of the Board, through Board interviews and review of Board minutes • Review Board Director’s declaration of good character to ascertain that these are in place.
<ul style="list-style-type: none"> • People - the Funded Partner shall recruit and engage people with appropriate diversity, independence, skills, experience and knowledge to take effective decisions that further the organisation’s goals: <ul style="list-style-type: none"> • A focus on Board appointments in terms of the process and approval. Particular focus on the approach to achieving diversity • Review diversity of representation on the Board itself • Review of succession planning arrangements for Board and senior staff • Review of performance appraisal systems for the Board and Chief Executive • Review the range of skills on the Board and assess whether the Board have developed a matrix to support future recruitment • Review of diversity strategy planning and action plan. 	<ul style="list-style-type: none"> • Review of Board and senior staff appointments in the last 24 months up to a maximum of three. This will include: <ul style="list-style-type: none"> ○ How the post was advertised i.e. the specification and where it was publicised. To assess whether due regard to supporting diversity aims can be demonstrated in this process ○ Assess how the evaluation of candidates was documented and if this is robust and clear and on a transparently fair basis ○ Review any minutes of the Human Resource, Remuneration & Nomination Committee for those selected in our sample to ensure that there has been sufficient discussion regarding the evaluation and subsequent nomination ○ Assess whether those involved in the evaluation are per expected practices ○ Review how the final approval process took place and whether this was undertaken transparently • Review skills matrix and performance appraisal documentation for the Board and Chief Executive. • Review Equality, Diversity and Inclusion Policy and Implementation Plan and seek to understand how the organisation has assured themselves that the actions are complete.
<ul style="list-style-type: none"> • Communication - the Funded Partner shall be transparent and accountable, engaging effectively with stakeholders and nurturing internal democracy <ul style="list-style-type: none"> ○ Assess the relationship with stakeholders ○ Assess relationship between Board and stakeholders and the CEO. 	<ul style="list-style-type: none"> • Review any Stakeholder Strategy documents in place. Also seek to attend (or dial into) a Board meeting to observe discussions if dates work out. • Hold interviews with Board or senior staff members regarding Stakeholder Management.

<ul style="list-style-type: none"> ○ Standards and Conduct - the Funded Partner shall uphold high standards of integrity, and engage in regular and effective evaluation to drive continuous improvement ○ Review how cases of inappropriate behaviour are/would be identified and managed effectively ○ Review arrangements around conflicts of interest and declarations at meetings including those around gifts and hospitality ○ A focus on conflicts of interest in terms of the partial make-up of the Board being stakeholder representatives, whether the governance of these interests reflects good practice ○ Review whether an external Board evaluation has been carried out and how actions are monitored. 	<ul style="list-style-type: none"> • Review Board minutes and risk registers and via interviews ascertain this • Review the Register of Interests and individual director conflict of interest forms to ensure they are complete and up to date • Review Board/Committee minutes to assess whether declarations of interests are made • Review the Conflict of Interest Policy • Review how the Board proactively manages potential conflicts arising from having stakeholder representatives on the Board • Interview the independent Board observer for Sport England. The focus of this will be any insights as to how Board meetings are conducted and how arising, ongoing conflicts of interest are managed • Review any external evaluation reports and determine the status of actions.
<p>Policies and Procedures - the Funded Partner shall comply with all applicable laws and regulations, undertake responsible financial strategic planning, and have appropriate controls and risk management procedures.</p>	<ul style="list-style-type: none"> • Review Board minutes and risk registers and via interviews to ascertain this. • Review linkages between financial strategic planning and established risk management procedures.



FOR MORE INFORMATION:

Greg Rubins

Greg.Rubins@bdo.co.uk

Gurpreet Dulay

Gurpreet.Dulay@bdo.co.uk

The matters raised in this report are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

BDO LLP, a UK limited liability partnership registered in England and Wales under number OC305127, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. A list of members' names is open to inspection at our registered office, 55 Baker Street, London W1U 7EU. BDO LLP is authorised and regulated by the Financial Conduct Authority to conduct investment business.

BDO is the brand name of the BDO network and for each of the BDO Member Firms.

BDO Northern Ireland, a partnership formed in and under the laws of Northern Ireland, is licensed to operate within the international BDO network of independent member firms.

Copyright ©2022 BDO LLP. All rights reserved.

www.bdo.co.uk