Leeds City Council

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Report of the Deputy Chief Executive

Report to: Corporate Governance and Audit Committee

Date: 24th June 2016

Subject: Annual assurance report on corporate risk and performance management arrangements

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	☐ Yes	x No
Are there implications for equality and diversity and cohesion and integration?	☐ Yes	x No
Is the decision eligible for Call-In?	☐ Yes	x No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: N/A Appendix number: N/A	☐ Yes	x No

Summary of main issues

1. This annual report presents assurances to the Corporate Governance & Audit Committee on the effectiveness of the council's corporate risk and performance management arrangements: that they are up to date; fit for purpose; effectively communicated and routinely complied with.

2. It provides one of the sources of assurance the Committee is able to take into account when considering approval of the Annual Governance Statement. It also enables the Committee to fulfil its role under the council's risk management policy and the Committee's own Terms of Reference to review the 'adequacy of the council's Corporate Governance arrangements (including matters such as internal control and risk management)'.

Recommendations

Corporate Governance & Audit Committee is asked to receive the annual report on the council's corporate risk and performance arrangements and note the assurances in support of the Annual Governance Statement, due for consideration and approval by this Committee in September.

1   Purpose of this report

1.1   This annual report presents assurances to the Corporate Governance & Audit Committee on the effectiveness of the council's corporate risk and performance management arrangements: that they are up to date; fit for purpose; effectively communicated and routinely complied with.

2   Background information

2.1   On 18th September 2015, Corporate Governance & Audit Committee received the previous annual assurance report on the council's corporate risk and performance arrangements. This report seeks to update the Committee on arrangements during 2015/16 and summarises work planned for 2016/17.

3   Main issues

Assurances on 2015/16 arrangements

3.1   *Best Council Plan & Performance Management*

3.1.1   For an organisation's risk and performance management arrangements to be effective, its strategic objectives and supporting key performance indicators (KPIs) must be up to date, effectively communicated and monitored and action taken as appropriate. During 2015/16, this was achieved as follows:

- The strategic ambitions, outcomes and priorities of the council are set out in the Best Council Plan (BCP). Through consultation with staff and elected members that began in summer 2015, the BCP was refreshed for 2016/17 and approved by Full Council in February 2016. The refreshed BCP continues the aim previously set out in the 2015/16 BCP of reducing inequalities, but articulates this more firmly around the integrated concepts of promoting economic growth and of Leeds being a compassionate city.

- The 2016/17 BCP was widely communicated through a letter from the Leader to key partners, a blog from the Leader to staff, items in the staff 'Essentials' newsletter and publication of the BCP on the authority's Internet and Intranet sites. At the time of writing, the Insite Intranet BCP page has been viewed nearly 2,400 times (1,569 unique visitors) between April and May 2016; the leeds.gov BCP pages receiving 559 hits (410 unique visitors) between April and May 2016.

- The 2016/17 BCP was developed in conjunction with the 2016/17 budget with both being considered alongside each other by the Executive Board in December 2015 and February 2016 and subsequently by Full Council. This co-development helps ensure that the council's strategy and allocation of resources both inform and are informed by each other with the annual budget and medium-term financial strategy now more clearly being the financial expression of the council's ambitions, policies and priorities. A new document has recently been produced to show this with a one-page visual representation aligning the 2016/17 net revenue budget with the 2016/17 BCP Best City population outcomes.

- Beyond the authority's financial plans, the BCP continues to draw on and link with a range of other supporting council and partnership plans. These include the Children & Young People's Plan; Health & Wellbeing Strategy; Core Strategy; Adult Social Care Local Account; Safer Leeds Strategy;

Citizens@Leeds Strategy and the council's People & Culture Strategy and Equality Improvement Priorities. The Executive Board, Scrutiny Boards, Community Committees and partnership boards (e.g. Children's Trust Board and Health and Wellbeing Board) receive relevant performance information on delivery of these related and supporting plans.

- Scrutiny Boards consider additional performance reports on areas relevant to their portfolios, incorporating both BCP and wider operational performance. Both the content and frequency of such reports are determined by the requirements of each specific Board.

- As part of the 2016/17 BCP refresh, its Key Performance Indicators (KPIs) have been updated: there is now a small set of 20 'Best City' KPIs to help measure progress over time against the 8 population outcomes set out in the BCP. The majority of these are taken from the supporting council and partnership plans, facilitating a consistent view of performance. The 20 Best City KPIs are supplemented by several 'Best Council' KPIs that help measure progress against our Best Council ambition of being a more efficient and enterprising organisation.

- Progress in delivering the BCP ambitions, outcomes, priorities and breakthrough projects is reported to the Corporate Leadership Team (CLT) each month (with items raised by directors themselves), facilitating cross-council ownership, discussion and follow-up action of specific areas as needed. This is part of a combined monitoring report, integrating policy, performance, financial and workforce information. Directors discuss relevant issues with Executive members.

- CLT monthly reporting is accompanied each quarter by a more detailed report on the 'BCP Scorecard': the most significant key performance indicators (KPIs) that help measure progress on the BCP as a whole in delivering better outcomes for both the city and the organisation in-year and in the longer term. This report shows the direction of travel against the best comparative performance, thus providing directors with a clear insight into the council's overall performance against the BCP.

- The quarterly scorecard is published on the council's intranet and also the Leeds Observatory, alongside data relating to population, crime, deprivation, health, the economy and the environment. A link to the scorecard is e-mailed to all elected members to alert them to the information. These arrangements help to make the data available to a wide audience.

- The scorecard is also shared with Core City local authority performance managers to facilitate benchmarking.

- The BCP informs the appraisal objectives set for the Corporate Leadership Team and so performance against the BCP outcomes and priorities is used as part of a suite of information for the Chief Executive's appraisals of his directors and his own appraisal with the Leader. We can confirm that this took place for both the mid-year and end of year appraisals in 2015/16 and that the 2016/17 BCP outcomes and priorities have informed the development of CLT members' new 2016/17 appraisal objectives. Appraisal guidance for staff for 2016/17 has also recently been updated to emphasise the importance of linking individual objectives and the work that teams do to the BCP outcomes.

- The guidance and template for Committee and Executive Board reports include sections for authors to evidence how the contents of their reports

support the BCP. The Corporate Policy & Intelligence team review all Executive Board reports at draft stage and provide feedback to report authors advising them of where these links can be made stronger and, in particular at this time of year with a new BCP in place, advising where authors may still be linking to the previous 2015/16 Plan. As with the appraisal process, this helps cascade the outcomes and priorities set out in the BCP to a wide range of staff.

- A year-end performance report that highlights the progress made throughout 2014-15 in delivering the six strategic objectives set out in the 2014/15 BCP was considered by Executive Board on the 15th July 2015. A similar report looking back on the 2015/16 BCP will be presented to Executive Board on 27th July 2016. Producing this annual performance report is in line with best practice and the authority's performance management framework.

3.2 *Risk management*

3.2.1 Corporate & service risk management

- Corporate, directorate, programme and project registers continue to be maintained, with significant risks escalated to appropriate boards and management teams as required. This includes quarterly updates on the risk status of all the council's programmes and complex projects to the Strategic Investment Board as part of the corporate risk register and the opportunity for all directors to raise prospective risks each month through the CLT monthly BCP combined monitoring reports.

- The corporate risk register continues to house the most significant risks to the council including the seven 'standing' corporate risks that will always remain on the register, these being:
    - Safeguarding children
    - Safeguarding adults
    - Health and safety
    - City resilience (emergency planning)
    - Council resilience (business continuity management)
    - Financial (both the in-year budget risks and longer term forecasting)
    - Information safeguarding

- In November 2015, Executive members and CLT reviewed the corporate risk register to ensure that it remained up to date and aligned with the emerging 2016/17 Best Council Plan outcomes and priorities. New corporate risks on Air Quality, Health and Social Care Sustainability and Care Market Viability/Sustainability were agreed and the scope of the existing corporate risk on Major Flooding expanded to cover the whole city rather than just the centre.

- In February 2016, a new process was established of publishing the corporate risk map on the council's Intranet site and Leeds Observatory following each quarterly update. This was communicated to staff through an item in Essentials linking to a new Insite page dedicated to corporate risks.

- The guidance and template for Committee and Executive Board reports include sections for authors on risk management. As part of their review of all Executive Board reports referred to above, the Corporate Policy & Intelligence also provide feedback to report authors with any additional risk management considerations.

- An annual report summarising how the council manages its most significant risks was reported to the Executive Board on the 15th July 2015. This year's report is, at the time of writing, being drafted in preparation for the Executive Board meeting 27th July 2016.

3.2.2   Financial risk management

- As noted in the June 2016, 'Financial Management and Control Arrangements' report to this Committee, financial monitoring is undertaken on a risk-based approach where financial management resources are prioritised to support those areas of the budget that are judged to be at risk: for example the implementation of budget action plans, those budgets which are subject to fluctuating demand, key income budgets and so on. To reinforce this risk-based approach, specific project management based support and reporting around the achievement of the key budget actions plans continues to be in place in 2016/17.

- An analysis of the key budget risks is maintained and subject to monthly review. Any significant and new risks are contained in the budget monitoring reports submitted to meetings of the Executive Board, together with any identified slippage on budget savings plans.

3.2.3   Project risk management

- The Projects, Programmes and Procurement Unit (PPPU) continue to provide specialist risk management advice and training in relation to projects. The 'PM lite' project management methodology adopted by the council in April 2015 also helps embed a standardised approach to risk management across the council's portfolio of projects and programmes.

- Risk management workshops continue to take place for key programmes and projects. Those facilitated by the risk management team in 2015-16 have included the World Series Triathlon in Leeds, The European Capital of Culture Bid and a key project related to bringing new investment into the city. Feedback from the workshops has been positive; on a scale of 1-4 (with 4 being 'strongly agree'; 3 being 'agree'):
  o 100% of participants strongly agreed or agreed that the events during 2015-16 have been worthwhile and beneficial (82% as 4; 18% as 3).
  o 100% rated the facilitator at the highest level for their skills and knowledge (88% as 4; 12% as 3).

3.2.4   4Risk

- The 4Risk risk management software system is now used by all council directorates to administer their corporate risks. We can confirm that all corporate risks have been updated on the system each quarter during 2015-16.

- During the summer of 2015, a 4Risk user survey was undertaken to identify the extent to which the software and the support provided by the corporate risk team met user requirements. The survey results identified that while some of the system functions could be simplified – for example, by adopting single user sign on - the support provided by the Corporate Policy & Intelligence team and the system user guides they had developed were highly valued.

3.2.5   Assurances

- As noted in the separate report 'KPMG Report – Corporate Risk Register Analysis' on today's agenda, in April 2016 KPMG issued a report on their analysis of local authority corporate risk registers (including that of Leeds City Council). The review considered the most frequently featured risks across local authorities' registers to enable organisations to consider whether any potential risks should be added to their own registers and whether they are given sufficient priority. It also considered the arrangements in place to maintain and review registers against 6 criteria:
  - Are risks scored on impact and probability / likelihood
  - Are risks allocated to lead officers
  - Are mitigating controls in place
  - Does the register identify movement of risk
  - Is there clarity on when specific risks will be reviewed
  - Are risks allocated to leading members
- KPMG concluded that Leeds' corporate risk register compares well to those of other comparable councils and complied with all the criteria above except 'risks allocated to members'. The report raised two items for consideration: the council should consider whether financial risks are given sufficient prominence in the corporate risk register and members should be allocated key risks along with officers. In response, we consider that financial risk management arrangements are sufficiently robust with specific risks reported throughout the year to members and senior officers that feed into the wider corporate financial risks. The second point raised in terms of allocating corporate risks to members is now being addressed (please see the 2016/17 section below).
- The council's external auditors provide a risk assessment on the council's financial resilience and the accounts process as part of their interim audit. As part of the interim report, officers are able to outline the processes put in place to mitigate these risks.
- During the summer of 2015, Internal Audit carried out a review into City Development's risk management directorate arrangements, its scope focused on whether: risks to the achievement of council plan objectives are identified; monitoring arrangements are in place for the achievement of council plans and objectives; appropriate reporting arrangements are in place. At the end of their review, Internal Audit gave City Development the highest rating of 'Substantial assurance' for their control environment, with only three lower priority recommendations made.
- In March 2016, the Health and Social Care Information Centre (HSCIC) carried out a review on the fitness for purpose and main processes of data sharing activities administered by the council's Public Health Intelligence Team (PHIT). The risk management element of HSCIC's review concluded that "risks are assessed and managed through the implementation of additional controls". The details from the report, seen below, support this conclusion:
  - The PHIT adheres to the Leeds City Council Corporate Risk Management framework and associated methodology and has an established risk owner.
  - Employees are required to attend mandatory risk management training, with Senior Managers required to attend additional training.

- o The Public Health Information Governance Group monitor risk at directorate level, risks are escalated to and centrally managed by the Corporate Governance team via risk reporting tools. Risks are also discussed at the PHIT Resilience Group and updates are supplied to the Public Health Information Governance Group. A corporate risk register is held for active risks, with treated risks removed and a local summary risk register is supplied to the PHIT monthly for review.

  At the end of the review, the HSCIC's opinion was, "there is minimal risk of inappropriate exposure and / or access to HES (Hospital Episode Statistics) data provided by the HSCIC to the PHIT under the terms and conditions of data sharing agreement".

- Quarterly meetings took place during 2015/16 between the Senior Risk Management Officer and Principal Officer from Internal Audit. The purpose of the meetings included sharing information on:
  - o Emerging themes from Internal Audit reports regarding control weaknesses/failures and risks arising;
  - o Feedback from corporate risk management on any new risks/risk areas identified and any updates/changes to existing risks;
  - o Whether audits are required to review any emerging risks arising after the initial audit plan has been agreed.

  Following the refresh of the corporate risk register with CLT and Executive Board members, the Senior Risk Management Officer delivered a presentation on the risks to Internal Audit to build audit staff's understanding of the corporate risks and how they are managed and to inform the development of the internal audit work plan.

3.3 Staffing

3.3.1 Two members of staff in the Corporate Policy & Intelligence Team are responsible for the corporate arrangements for risk management, performance management and the Best Council Plan. Both staff members remain up to date with good practice in these areas through continuous professional development and networking, including:
  - o The Principal Officer became CIPFA-qualified in November 2015; continues to serve on the board of ALARM (the Public Risk Management Association) North East & Yorkshire; is an ALARM Registered Risk Practitioner and represents the council at regular meetings of the Core City local authority corporate performance managers.
  - o The Senior Officer is also CIPFA-qualified; Institute of Risk Management (IRM)-certified, in June 2016 sat the IRM diploma final exams and serves on the IRM North East Regional Group.

3.4 2016/17

3.4.1 At the time of writing, a review of all intelligence-related functions is underway as part of a wider review of Support Services which will require further consideration of service priorities and allocation of resources at corporate and directorate levels, including those that support the council's risk and performance management arrangements.

3.4.2 We will update this Committee as any new arrangements emerge and in the meantime, continue with existing arrangements and work plans. These include:

- Maintaining streamlined BCP reporting and publishing corporate risk and performance information.

- Refreshing the BCP for 2017/18 alongside the 2017/18 budget to ensure the continued alignment of strategy and finances.
- Updating corporate and directorate risk registers in line with emerging risks, including those resulting from amendments to the council's strategic outcomes and priorities.
- Allocating corporate risks to portfolio members in response to KPMG's recent recommendation.
- Ongoing review and benchmarking of risk and performance arrangements through regular communications with colleagues in the Core City local authorities and other organisations and consideration of latest guidance, updated standards and any changes in statutory / government requirements of risk and/or performance management in local authorities.
- Revising the council's Risk Management Policy and Performance Management Framework in line with any new arrangements resulting from the review of all intelligence-related functions.

4 Corporate Considerations

4.1 Consultation and Engagement

4.1.1 Key stakeholders have been engaged in maintaining the council's corporate risk and performance arrangements. These include the Corporate Leadership Team, Executive Board, Intelligence colleagues across the council and 4Risk users.

4.1.2 We will continue to engage with members when reviewing the council's risk and performance management arrangements.

4.2 Equality and Diversity / Cohesion and Integration

4.2.1 This is an assurance report with no decision required. Due regard is therefore not directly relevant.

4.3 Council policies and the Best Council Plan

4.3.1 The risk management arrangements in place support compliance with the council's risk management policy and Code of Corporate Governance, through which, under Principle 4, the authority should take 'informed and transparent decisions which are subject to effective scrutiny and risk management'.

4.3.2 The performance management arrangements focus around the Best Council Plan: its annual refresh and ongoing review and monitoring of delivery of the Best Council outcomes and priorities form part of the council's budget and policy framework.

4.4 Resources and value for money

4.4.1 The council's risk and performance arrangements are managed within existing resources with additional savings achieved in 2015/16 through staff reductions in the Corporate Policy and Intelligence Team.

4.5 Legal Implications, Access to Information and Call In

4.5.1 The council's risk management arrangements support the authority's compliance with the statutory requirement under the Accounts & Audit Regulations 2011 to have 'a sound system of internal control which facilitates the effective exercise of

that body's functions and which includes arrangements for the management of risk.'

4.5.2   Performance information on corporate key performance indicators is published on the council's website and the Leeds Observatory. The management of the council's most significant risks and performance related to delivering the 2015/16 Best Council Plan objectives and priorities will be published through annual reports due to be presented to the Executive Board on 27th July.

4.5.3   No decision is required; therefore this assurance report is not subject to call in.

4.6   Risk Management

4.6.1   There are no significant risks identified in the council's risk and performance management arrangements.

5   Conclusions

5.1   This report provides assurance on the council's corporate risk management and performance management arrangements. It provides one of the sources of assurance the Committee is able to take into account when considering approval of the Annual Governance Statement. It also enables the Committee to fulfil its role under the council's risk management policy and the Committee's own Terms of Reference to review the 'adequacy of the council's Corporate Governance arrangements (including matters such as internal control and risk management)'.

6   Recommendations

6.1   Corporate Governance & Audit Committee is asked to receive the annual report on the council's corporate risk and performance arrangements and note the assurances given prior to its consideration of the Annual Governance Statement in September.

7   Background documents

7.1   None