

Report of the Deputy Chief Executive

Report to the Corporate Governance & Audit Committee

Date: 20 September 2013

Subject: Annual Assurance Report on Risk & Performance Management

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

Summary of main issues

1. This annual report provides Corporate Governance and Audit Committee with assurances on the strength of the Council's risk and performance management arrangements and is an important source of evidence for the Annual Governance Statement due to be approved by the Committee at today's meeting.
2. The arrangements have been further developed, improved and updated during 2012/13. Compliance with the risk management policy and performance management framework is good and further work is planned in 2013/14 to continue to develop and improve the supporting arrangements.
3. While we can never be complacent, and some risks lie outside our control, this report provides the Committee with a high level of assurance on the strength of the risk and performance management arrangements currently in place across the authority.

Recommendations

4. Corporate Governance & Audit Committee is asked to receive the annual report on the Council's risk and performance management arrangements and note the assurances given.

1. Purpose of this report

- 1.1. This annual report provides Corporate Governance and Audit Committee with assurances on the strength of the Council's risk and performance management arrangements and is an important source of evidence for the Annual Governance Statement due to be approved by the Committee on September 20th with the Statement of Accounts. It also enables the Committee to fulfil its role under the Council's Risk Management Policy and the Committee's own Terms of Reference for reviewing the 'adequacy of the Council's Corporate Governance arrangements (including matters such as internal control and risk management)'.

2. Background information

- 2.1. The 'main issues' section of the report provides assurances on the Council's Risk Management Policy and Performance Management Framework, summarises the main risk and performance arrangements and outlines future plans to further improve them.

3. Main issues

- 3.1. The strength of our risk and performance management arrangements stems from the authority's Risk Management Policy and Performance Management Framework. The tables below give high-level assurance with respect to ensuring these are adequate, complied with and up to date.

Risk Management	
Name of Policy	Risk Management Policy
Is it up to date?	Yes: fully revised in 2011, minor amendments in November 2012
Is it fit for purpose?	Yes: following extensive benchmarking and reviews against British and International Standards on Risk Management and other good practice guides, the Policy was updated in October 2011, approved by the Corporate Risk Management Group and this Committee and endorsed by the Chief Executive and the Council Leader. It was also reviewed by the Corporate Communications team to ensure it complied with 'Plain English' requirements. Minor amendments have been made since to reflect the role and membership of the Risk & Performance Board which replaced the Corporate Risk Management Group in November 2012.
How is it communicated?	All key stakeholders were consulted with prior to the major revision of the Policy. The Policy now forms part of the 'Policies & Procedures' section of the Council's revised Intranet site and so is accessible to all staff with Internet access. In addition, it is available to members of the public as a background paper to the Executive Board annual report (latest report: 17/7/13). The authority's Risk Management Unit references the Policy, particularly the section on Roles and Responsibilities, in its training sessions to staff and elected members.
Is it routinely complied with?	Yes: members of the Risk & Performance Board are responsible for ensuring compliance with the Policy within their directorates. For 2012-13, members of the Board have confirmed they are satisfied with the level of compliance of their directorate arrangements.
How is it monitored?	The Policy is reviewed annually by the Risk Management Unit or as appropriate and in response to changes in legislation, Council policy and risk management standards. Any such changes will continue to be consulted upon.

Performance Management	
Name	Performance Management Framework
Is it up to date?	Yes: the performance management arrangements were substantially

Performance Management	
	overhauled in 2011 to take account of the new strategic plans approved in July 2011 and the adoption of Outcomes-Based Accountability principles. The new Performance Management Framework was further revised in March 2012 to build on the learning in implementing the new arrangements. However, it remains draft pending the outcomes of the current review of performance management (see 'Future Improvements' section below).
Is it fit for purpose?	Yes: the framework was benchmarked with Core City and West Yorkshire local authorities. It builds on good practice such as the Audit Commission's <i>Use of Resources</i> inspection criteria that were previously used to judge the council's performance arrangements.
How is it communicated?	All key stakeholders were consulted with prior to the major revision of the framework. This Committee reviewed the framework in January 2012. The framework is accessible to all staff with Intranet access on the Council's Insite Intranet site.
Is it routinely complied with?	Yes: members of the Risk & Performance Board are responsible for ensuring compliance with the framework within their directorates. For 2012-13, members of the Board have confirmed they are satisfied with the level of compliance of their directorate arrangements.
How is it monitored?	The corporate performance team reviews the framework in response to changes in legislation and good practice and as required.

Risk & Performance Reporting

- 3.2. In 2012/13, building on the work begun the previous year, further improvements were made to integrating risk and performance reporting leading to the formal disbanding of the Corporate Risk Management Group and the Performance Board. These were merged in November 2012 to form the Risk & Performance Board. The corporate risk and performance teams support the Risk & Performance Board and draw up a quarterly snapshot of the risk and performance information by directorate as well as HR, Internal Audit reports, external inspections etc. The Risk & Performance Board reviews and challenges this combined information and considers the key issues to report to the Corporate Leadership Team (CLT) and Executive Board. The data is drawn on to help inform the Chief Executive's appraisals of his directors. Scrutiny Boards review the performance information each quarter.

Risk Management

- 3.3. A range of risk registers are in place across the Council at directorate, service, budget, programme and project levels. Specific assurances are given to this Committee and other member groups on financial risk management and on various projects upon request. Key risks are reported upwards and considered in line with the relevant governance arrangements: e.g. budget risks to the Financial Performance Group and then to CLT and Executive Board; project risks to project boards; directorate risks to directorate management teams. The CLT reporting guidance was revised earlier this year and now includes a mandatory requirement to detail the key risks to that decision/policy/project. This requirement remains for all other reports to a Committee (excluding Plans Panel or Licensing Committee), Executive Board and if a key or other delegated decision is required.
- 3.4. The most significant risks from these registers and reports are escalated as required, ultimately up to the corporate risk register (CRR), which also incorporates a 'RAG' review of all the Council's programmes and major projects. The CRR is a

live document with risks moving up and down over the year, thereby evidencing the maturity of our review and challenge processes. It was last reviewed by the Risk & Performance Board and Corporate Leadership Team in May¹ and contains 22 risks of which 6 have been given the highest 'red' rating. This rating is a combination of the probability of the risk materialising and its potential impact if it did and so some risks score highly as a consequence of their impact score. A detailed report providing assurance on the arrangements in place to help mitigate the 10 most significant corporate risk areas² was provided to the Executive Board on 17th July.

- 3.5. Executive portfolio holders regularly review risk information and the Risk Management Unit engages with all Executive members to review the corporate risk register as part of an annual risk management briefing. In 2012/13, we widened this review to gain an understanding of Executive members' requirements of the risk and performance information they receive.³
- 3.6. Along with our horizon scanning exercises (for example, through media monitoring, review of reports to members and external assessment reports and benchmarking our risk register against those of other organisations, including those of the Core City local authorities), these processes provide the Committee with a significant source of assurance on the rigour of the Council's corporate risk register and that it accurately reflects both members' and officers' concerns.

Performance Management

- 3.7. The corporate performance management arrangements focus on the strategic priorities and ensure that a high-level update on each of these is provided to key officers and members, including Executive Board and Scrutiny Boards. These provide a comprehensive but succinct update to enable further discussion, investigation, reports and action to explore any performance issues and to drive improvement. More detailed performance monitoring is carried out at directorate level and brought together corporately via the Risk & Performance Board.
- 3.8. The annual State of the City Report helps provide an additional check on progress against our strategic priorities and informs an analysis of cross-cutting issues such as poverty and health inequalities. It also provides some evidence to support or challenge whether the city and council priorities are still the right ones. The 2013 report is currently being drafted.
- 3.9. During 2012/13, the corporate performance team led the review and drawing up of the Best Council Plan 2013-17: a streamlined, outcomes-based strategic plan closely aligned with the medium-term financial plan that was approved by Council on 1st July following extensive consultation. It includes a new set of performance indicators, measures and milestones for each priority and outcome with success measures agreed for 2013/14 as well as 2017 to enable progress tracking.
- 3.10. Supporting this, a new, simplified service planning template and guidance was approved by the Risk & Performance Board last autumn and has now been rolled

¹ The August 2013 quarterly review and reporting of risk and performance management information was suspended pending the outcomes of the review of our performance management arrangements.

² Safeguarding children; Safeguarding adults; School places; Welfare changes; Leeds economy; City resilience (emergency planning); City flooding; Financial management; Council resilience (business continuity planning); Health & Safety.

³ The same review was due to take place with this Committee earlier in the year but was cancelled due to heavy snow. We shall reschedule for later this year.

out. The plans articulate how a service expects to contribute to delivering the outcomes and improvement priorities set out in the strategic planning framework and provide a vital link from these plans through to team plans and personal development plans. Service plans are an essential tool for making rational and co-ordinated decisions about future levels of service provision and how resources, people and assets are deployed. They should therefore link service, workforce and financial planning and risk management. All 45 service plans were received and published by 26th June. This achievement should not be understated as it is the first time in several years that all services have a published plan available.

Future Improvements

- 3.11. In July 2013, following the 'Enabling Corporate Centre' review, the previously separate corporate risk and performance teams were brought together within a new 'Strategy & Improvement' division, part of the Strategy & Resources Directorate. This 'Risk & Performance' team is, at the time of writing, working with directorate colleagues to review our performance management arrangements – and thereby also risk management reporting – in line with the following broad principles:

A more outcome-focused approach aimed at telling the story by drawing together and analysing a range of data rather than necessarily focusing on individual 'red' performance indicators. This could include better use of the State of the City analysis in assessing wider progress against the City Priorities.

Streamlined, 'by exception' and, if possible, more 'real-time' reporting with directorates taking the lead but with the corporate team continuing to provide support and oversight.

Ensuring that, whilst bureaucracy is kept to the minimum necessary to support monitoring and reporting, appropriate directorate and corporate governance arrangements are maintained so that we can continue to provide assurance on both risk and performance across the authority.

- 3.12. Alongside the review, other improvements for this year include:

Full roll-out of the risk management software: the software successfully went live in 2012/13 and is now being rolled out. The initial focus is on directorate budget risk registers and directorate risk registers.

Refresh of all directorate risk registers – and thus the corporate risk register – through workshops with directorate management teams to align them with the new Best Council Plan and revised performance indicators. The corporate risk team will also continue to provide risk workshops for specific projects and business change proposals.

Through these workshops, training will be provided through which we shall emphasise the importance of using risk management as a tool to help make informed decisions. As an enterprising, innovative organisation operating in an increasingly challenging environment, making such decisions will require us to become less risk averse than we have perhaps been perceived and actively take risks where appropriate.

Integrating Public Health into our risk and performance arrangements and working with the Environment & Housing Directorate to make adjustments as needed through the ALMO review.

4. Corporate Considerations

4.1. Consultation and Engagement

4.1.1 We have engaged with Risk & Performance Board colleagues on the contents of this report. Consultation is underway with relevant colleagues and members on the performance management review.

4.2. Equality and Diversity / Cohesion and Integration

4.2.1 This is an assurance report and not a decision so due regard is not directly relevant.

4.3. Council policies and City Priorities

4.3.1 Under Principle 4 of the Council's Code of Corporate Governance, the authority should take, 'informed and transparent decisions which are subject to effective scrutiny and risk management'. The risk management framework, in support of the Risk Management Policy we have in place in the authority, supports this.

4.3.2 Using a structured and consistent risk management approach to focus discussion, prioritise resources and enable justifiable risk-taking will help the successful delivery of the Council and City priorities. The performance arrangements described in this report ensure that progress is monitored in their delivery.

4.4. Resources and value for money

4.4.1 These arrangements are resourced through existing teams across the council and therefore have no specific resource implications.

4.5. Legal Implications, Access to Information and Call In

4.5.1 Without robust risk management arrangements, the Council could be in breach of the Accounts and Audit Regulations 2011 which require us 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.' (Section 4.1)

4.5.2 There is no specific statutory duty to have performance management arrangements but, alongside risk management, it is a core principle of good governance and as such assurance is required on them in order for this Committee to approve the authority's Annual Governance Statement. All performance information is published on the Council's website.

4.5.3 This is an assurance report and not a decision so is not subject to call in.

4.6. Risk Management

4.6.1 Without effective risk and performance management arrangements, there is a danger that the most significant risks and issues that could impact upon the Council and Leeds are not properly identified and managed.

5. Conclusions

5.1. The council's risk and performance management arrangements have been further developed, improved and updated during 2012/13. Compliance with the risk management policy and performance management framework is good although further work is planned in 2013/14 to continue to develop and improve the supporting arrangements.

5.2. While we can never be complacent, and some risks lie outside our control, this report provides the Committee with a high level of assurance on the strength of the risk and performance management arrangements currently in place across the authority.

6. Recommendations

6.1. Corporate Governance & Audit Committee is asked to receive the annual report on the Council's risk and performance management arrangements and note the assurances given.

7. Background documents

7.1. None