Report of the Deputy Chief Executive

Report to: Corporate Governance and Audit Committee

Date: 18th September 2015

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 at today's meeting. 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)'.

3. The report is supported by the independent assurances recently received from Internal Audit who concluded for their 'Achievement of Strategic Objectives 2014-15' audit (which incorporated corporate performance management) that 'Substantial assurance' – the highest rating - 'is provided for the control environment'. The second-highest rating, 'Good assurance' was given for their audit on 'Corporate risk management 2014-15'.

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 to be approved today.

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. It provides one of the sources of assurance the Committee is able to take into account when considering approval of the Annual Governance Statement at today's meeting.

1.2 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)'.

2 Background information

2.1 On 10th July 2014, 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 2014-15.

2.2 The assurances here are supported by the independent assurances on our corporate risk and performance arrangements provided by Internal Audit. They concluded for their 'Achievement of Strategic Objectives 2014-15' audit (which incorporated corporate performance management) that 'Substantial assurance' – the highest rating - 'is provided for the control environment' with no recommendations made. The second-highest rating, 'Good assurance' was given for their audit on 'Corporate risk management 2014-15' with one key recommendation made, already in the corporate team's work programme as a high priority: to refresh the risk management policy.

3 Main issues

Assurances on 2014/15 arrangements

3.1 The council's risk management policy and performance management framework are in the process of being refreshed to reflect the changes made to the risk and performance arrangements during 2014/15. As such, while the documents are, in places, currently out of date, the arrangements themselves have been updated where appropriate to ensure they remain fit for purpose, effectively communicated and routinely complied with. Both the new risk management policy and performance management framework will be brought to this Committee later in the year.

Performance management

3.2 For an organisation's performance management arrangements to be effective, its objectives and supporting key performance indicators (KPIs) must be up to date, effectively communicated and monitored and action taken as appropriate. During 2014-15, this was achieved as follows:

- The strategic objectives and priorities of the council are identified and set out in the Best Council Plan (BCP). Through consultation with members and officers, this is updated annually to ensure these objectives and priorities remain aligned to the financial environment, the budget setting process, supporting plans and key pieces of work underway. Last year's annual

review took place in spring 2014 and a revised BCP was approved by the Executive Board in May 2014. The BCP was then refreshed for 2015/16 and approved by the Executive Board in March 2015.

- The latest Best Council Plan refresh was communicated widely through 'Essentials' and the Chief Executive's blog to staff and both documents were published on the authority's Internet and Intranet sites. In its first week (including two bank holidays), the Insite page had been viewed by nearly 1,000 unique staff visitors.

- 'Objectives on a page' set out the outcomes, priorities and key performance indicators for each of the six objectives in the BCP. These have also been updated each year as part of the annual BCP refresh and subsequently published on both leeds.gov and Insite, the council's Intranet site, and signposted to officers and members through 'Essentials.

- The BCP draws on and links with a range of supporting council and partnership plans. These include the Annual Financial Plan; Children & Young People's Plan; Health & Wellbeing Strategy; Core Strategy; Adult Social Care Local Account and Citizens@Leeds Strategy. 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.

- By taking account of both best city ambitions and supporting partnership plans within the BCP, the City Priority Plan 2011-15 was no longer needed as a separate document, though the vision and ambition remain important. As part of this year's review of the Constitution, all reference to the City Priority Plan was therefore removed from the council's policy framework with the decision-making template and associated guidance then revised and communicated to staff and elected members via 'Essentials'. This supports the aim of ensuring that our strategic planning and underlying performance management framework remain up to date and fit for purpose with the changes effectively communicated.

- Progress in delivering the Best Council objectives is discussed by 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 of performance as needed.

- From November 2014, the CLT monthly reporting has been accompanied each quarter by a more detailed report on a new '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. We can confirm that during 2014-15, all scorecard KPIs have been updated by directorate performance teams with the latest performance information. The quarterly scorecard is published on leeds.gov and a link e-mailed to all elected members to alert them to this. It is also published on the Leeds Observatory alongside data relating to population, crime, deprivation, health,

the economy and the environment. These arrangements help to make the data available to a wide audience.

- A new 'KPI checklist' was developed through consultation with performance colleagues across the organisation and is now in place for all KPIs in the Best Council Plan scorecard. This provides assurance that the data behind these measures is robust and consistently reported.

- The BCP informs the appraisal objectives set for the Corporate Leadership Team and so performance against the BCP 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 council leader. We can confirm that this took place for both the mid-year and end of year appraisals in 2014-15.

- An annual performance report assessing 2014-15 progress in delivering last year's BCP and the year-end KPI scorecard was presented to the Executive Board on 15th July. This review process that looks back to take stock with the results used to inform future priorities and action plans complies with good practice performance management.

- The Core City local authorities' corporate performance teams hold six-monthly meetings to share good practice and to benchmark performance against those KPIs that are measured consistently. Representatives from Leeds have attended both meetings held in 2014-15, hosting the January 2015 meeting, while we also co-administer the new 'Knowledge Hub' site set up this year to facilitate information sharing.

- Internal Audit carried out a review during spring 2015 of the above arrangements. The scope of the review was 'to obtain assurance that the corporate arrangements in place for the achievement of strategic objectives and performance monitoring during 2014-15 was robust.' They concluded that 'Substantial assurance' – the highest rating - could be 'provided for the control environment' with no recommendations made.

Risk management

3.3 During spring 2015, Internal Audit also carried out a review into the council's corporate risk management arrangements, focusing on whether:

- Risks are aligned with strategic objectives;
- Significant risks are identified and assessed;
- Appropriate risk responses are selected that align risks with the organisation's risk appetite;
- Relevant risk information is captured and communicated in a timely manner across the organisation, enabling staff, management and the board to carry out their responsibilities.

3.4 At the end of their review, they gave the second-highest rating, 'Good assurance', with one key recommendation made, already in the corporate team's work programme as a priority: to refresh the risk management policy. The arrangements described below support this independent assessment.

- Corporate, directorate, budget, programme and project registers are maintained, with significant risks escalated to appropriate boards / management teams as required. This includes quarterly updates on the risk status of all the council's programmes and major projects to the Strategic Investment Board and the opportunity for all directors to raise prospective risks each month through the CLT monthly Best Council Plan reports.

- We can confirm that all corporate risks have been updated each quarter during 2014-15 with the exception of three which are under review to ensure

the tangible risk is appropriately defined: these relate to workforce planning, school places and low carbon. However, the Committee can be assured that extensive work has taken place throughout 2014-15 and to date on these three areas, with regular reports provided to members, senior management teams and other stakeholders on progress and next steps. They are also captured through the performance management arrangements as all feature in the Best Council Plan.

- All corporate risks have a 'target risk rating' assigned to them: the level to which it would be feasible to bring the risk down to. This sets the risk appetite for each individual risk.

- An annual risk assurance report on the management of the seven 'standing' corporate risks (those that are unlikely to ever go away) was reported to the Executive Board on 15th July. The seven risk areas are:
    - Safeguarding children
    - Safeguarding adults
    - Health and safety
    - City resilience (emergency planning)
    - Financial (both the in-year budget risks and those in the medium-term)
    - Council resilience (business continuity management)
    - Information governance

- More detailed assurance reports on these corporate risk areas have been provided to members and/or senior management teams throughout 2014-15: for example, this Committee has provided much support to both the business continuity management and the information governance agendas and received regular updates; Ofsted has provided external assurance on the council's safeguarding children arrangements as part of its recent inspection; the LGA-led peer review into the council's safeguarding adults arrangements was positive with its recommendations being taken forwards by the new statutory Safeguarding Adults Board; monthly financial monitoring reports are taken to the Executive Board with a specific section on budget risks.

- The corporate report template requires report authors to include details on significant risks associated with the related subject/decision, supporting risk-based, informed decision-making. The Corporate Risk & Performance Team has carried out a quality assurance review of all reports to Executive Board in 2014-15 while still at draft stage and provided feedback to report authors with suggested improvements to the risk management section as needed.

- Programme and project risk registers are maintained for projects and programmes managed on behalf of directorates with the Projects, Programmes and Procurement Unit (PPPU) providing project support and specialist risk management advice and training. 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. Corporate risk officers worked with the PPPU to refresh the risk management documentation within the PM lite online toolkit to ensure it remains up to date and fit for purpose.

- Risk management workshops take place for key programmes and projects. Those facilitated by the corporate Risk & Performance Team in 2014-15 have included the West Yorkshire Transport Fund, Victoria Gate and HS2/South Bank.   On a scale of 1-4 (with 4 being 'strongly agree'; 3 being 'agree'):

- 100% of participants strongly agreed or agreed that the events during 2014-15 have been worthwhile and beneficial (67% as 4; 33% as 3);
- 100% rated the facilitators at the highest level for their skills and knowledge (89% as 4; 11% as 3).

- The 4Risk risk management software system has been rolled out for all corporate risks and directorate risk registers (with the exception of Adult Social Care - scheduled to take place by the end of this month) with the migration of the risks from Word/Excel to a web-based system facilitating the update, monitoring and reporting of risks, as well as providing an audit trail of any changes made. At the time of writing, a 4Risk user survey is underway to gauge whether the software and the support provided by the corporate team is meeting user requirements.

- As part of the 4Risk implementation, corporate risk officers have worked with directorates to review all their directorate risks to ensure they remain up to date and fit for purpose. The corporate team also carries out horizon scanning exercises and benchmarks risk registers with the Core City local authorities. Potential gaps in Leeds' risks are fed back each quarter to directorate risk co-ordinators for them to consider when reviewing their directorate risk registers with management teams.

- The corporate team has provided face-to-face training to 128 4Risk system users, both on how to use the system but also using the opportunity to refresh their knowledge and understanding of risk management.

- The corporate risk team ensures it remains up to date with risk management good practice through benchmarking and Continuous Professional Development and brings this learning back into the authority's risk management arrangements:
  - The Principal Officer completed the CIPFA qualification in 2014-15 which incorporated modules on risk management; continues to serve on the board of ALARM North East & Yorkshire (the Public Risk Management Association) and is an ALARM Registered Risk Practitioner; and
  - The Senior Officer is CIPFA-qualified; Institute of Risk Management (IRM)-certified; serves on the IRM North East Regional Group and in 2014-15 began studying the IRM diploma.

2015/16

3.5 As noted above, key priorities for 2015/16 are to refresh both the risk management policy and performance management framework to ensure they remain up to date in reflecting the arrangements outlined above and fit for purpose. This refresh will be carried out in consultation with staff and members with the revised documents also brought to this Committee later in the year.

3.6 Day-to-day work will also continue, notably:

- Refreshing the Best Council Plan ready for 2016/17 with defined outcomes, priorities and key performance indicators, using the performance management methodology 'Outcomes Based Accountability'.

- Maintaining rigorous, streamlined Best Council Plan reporting and publishing performance information.

- Updating the corporate and directorate risk registers in line with emerging risks, including those resulting from amendments to our strategic outcomes, and priorities.

- Reviewing the council's approach to service planning and updating associated guidance documents and templates ready for 2016/17.
- 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.

4   Corporate Considerations

4.1   Consultation and Engagement

4.1.4   Key stakeholders have been engaged in proposing and developing revised risk and performance arrangements. These include the Corporate Leadership Team and directorate Heads of Performance. Others have been involved in specific areas: for example, the Executive Board on the refreshed Best Council Plan; Governance Services on revising the council's planning framework around city priorities; 4Risk users on changes to the risk management software.

4.1.5   We will continue to engage with members when reviewing the council's risk and performance management arrangements. The new risk management policy and performance management framework will be brought to this Committee later in the year.

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 formal refresh and ongoing review and monitoring of delivery of the Best Council objectives and priorities. Significant risks to their delivery are identified and managed through the risk management arrangements.

4.4   Resources and value for money

4.4.1   The council's risk and performance arrangements are managed within existing resources with additional staffing savings achieved in 2014/15 through reducing the size of the corporate risk and performance 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 our most

significant risks and performance on delivering the Best Council Plan 2014/15 objectives and priorities has been published through the annual risk and performance report to the Executive Board on 15th 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 today's 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)'.

5.2   Independent assurance on the strength of these arrangements has recently been received from Internal Audit which gave a rating of 'Substantial Assurance' in their audit of 'Achievement of strategic objectives 2014/15' (incorporating performance management) and 'Good Assurance' for 'Corporate risk management 2014/15'.

5.3   The council's risk management policy and performance management framework are in the process of being updated to reflect the changes made to the risk and performance arrangements during 2014/15. As such, while the documents are, in places, currently out of date, the arrangements themselves have been updated where appropriate to ensure they remain fit for purpose, effectively communicated and routinely complied with. Both the new risk management policy and performance management framework will be brought to this Committee later in the year.

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 today of the Annual Governance Statement.

7   Background documents[1]

7.1   None

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[1] The background documents listed in this section are available to download from the council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.