

## Report of the Director of Resources and Housing

### Report to: Corporate Governance and Audit Committee

Date: 23<sup>rd</sup> June 2017

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

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: N/A Appendix number: N/A	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> 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. It explains the current arrangements and the work planned during 2017/18 to review the authority's Risk Management Policy, Performance Management Framework and Best Council Plan. The review will include consideration of key performance indicators and reporting - with key themes around accountability, improved benchmarking and service/project value for money – and consideration of Internal Audit recommendations, latest guidance, updated standards and any changes in statutory / government requirements of risk and/or performance management in local authorities.
2. The report 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 at today's meeting.

## **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 24<sup>th</sup> June 2016 Corporate Governance & Audit Committee received the previous annual assurance report on the council's corporate risk and performance arrangements. This report updates the Committee on arrangements during 2016/17 and summarises work planned for 2017/18.

## **3 Main issues**

### **3.1 *Best Council Plan & Performance Management 2016/17***

- 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 2016/17, assurance on the adequacy of the performance management was demonstrated by the following:

- The strategic ambitions, outcomes and priorities of the council are set out in the Best Council Plan (BCP). The BCP was refreshed for 2017/18 and approved by Full Council on 22<sup>nd</sup> February 2017. The refreshed BCP takes into account local and national developments, such as November's Autumn Statement, policy developments, the latest socio-economic analysis, local and regional partnership plans and the council's budget-setting processes. The BCP was developed through ongoing engagement with partners, officers, and members, including Scrutiny members.
- The 20 'Best City' priorities previously included in the 2016/17 BCP have been simplified, better incorporating the 'breakthrough projects' and making the linkages between the council's vision, ambitions and priorities more explicit than previously. There are now seven priorities.
- The 2017/18 BCP was widely communicated through items in the staff 'Essentials' online newsletter and publication of the BCP on the authority's Internet and Intranet sites. Hard copies of the 'Plan on a Page' have been distributed to all elected members and senior officers with the full 28 page document also provided to Executive Members, leaders of the political parties and the Corporate Leadership Team (CLT). The Plan on a Page has also been circulated to council buildings and displayed on notice boards.
- At the time of writing, the Insite Intranet BCP page has been viewed over 2,600 times (1,854 unique visitors) between April and May 2017; the leeds.gov BCP pages receiving 798 hits (587 unique visitors) between April and May 2017. The average time spent on the page was 28 minutes.
- The 2017/18 BCP was developed in conjunction with the 2017/18 Budget with initial proposals for both being considered alongside each other by the Executive Board in December 2016, with formal proposals in February 2017 and subsequently approved 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 document has recently been produced to show this through a one-page visual representation aligning the 2017/18 net revenue budget with the 2017/18 BCP Best City population outcomes. This was published on the authority's Internet and Intranet sites and communicated to staff and members through the internal Essentials online newsletter.

- 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 Leeds Joint Health & Wellbeing Strategy; Safer Leeds Plan; Children & Young People's Plan; Better Lives Strategy; Leeds Housing Strategy and the emerging Leeds Transport Strategy and Growth Strategy amongst others. 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 2017/18 BCP refresh, the KPIs have again been updated: a set of 37 'Best City' KPIs to help measure progress over time against the 8 outcomes and 7 priorities 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 Best City KPIs are supplemented by additional '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 CLT each month (including items raised by directors themselves). This facilitates 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 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. In 2016/17 directorates were encouraged to submit more wider contextual information behind the indicators, including 'proxy' measures, to inform CLT of ongoing progress against KPIs where the results are only available annually.
- 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. These arrangements help to make the data available to a wide audience.
- 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 2016/17 and that the 2017/18 BCP outcomes and priorities have informed the development of CLT members' new 2017/18 appraisal objectives. The BCP information on Insite includes a prompt for staff to link their individual appraisal objectives to the BCP outcomes and priorities.

- 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. During the year, work was undertaken with Governance Services and other stakeholders to update the report-writing guidance and template.
- A year-end performance report that highlighted the progress made throughout 2015/16 in delivering the strategic objectives set out in the 2015/16 BCP was considered by Executive Board on the 27<sup>th</sup> July 2016. A similar report looking back on the 2016/17 BCP will be presented to Executive Board on 17<sup>th</sup> July 2017.

3.1.2 Independent assurance has been received through a recent Internal Audit review of the BCP 2017/18 Refresh and Performance Management Framework. The review provided good assurance on the overall control environment. It confirmed that the process to refresh the BCP complied with the requirements of the Budget and Policy Framework and followed the approach agreed at the outset with the relevant parties.

3.1.3 Internal Audit made one key recommendation relating to the absence of a documented performance management framework, although it was confirmed that work is underway to develop one. Internal Audit carried out a high level review of the approach being taken to develop the framework compared to best practice, and confirmed that the process showed consideration of the factors that contribute to effective performance management. The approach being taken to develop the framework should ensure that performance management arrangements within the council going forward will be proportionate and effective in driving improvements and supporting good decision making.

## **3.2 Risk management 2016/17**

3.2.1 During 2016/17, assurance on the adequacy of the council's risk management arrangements was demonstrated by the following:

- 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.
- Financial risks are included within both the corporate and directorate risk registers. An annual assurance report on the financial management and control arrangements was reviewed by this Committee on 7<sup>th</sup> April 2017, the report providing assurance that the council has in place robust arrangements for proper and effective financial control, governance and other financial management activities.

- 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 medium-term financial sustainability)
  - Information safeguarding
- New corporate risks on Major Cyber Breach and Devolution were agreed during the year.
- The 4Risk software system continues to be 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 2016-17.
- The corporate risk map continues to be published on the council's Intranet site and Leeds Observatory following each quarterly update.
- An annual report summarising how the council manages its most significant risks was reported to the Executive Board on the 27<sup>th</sup> July 2016. A similar report for 2016/17 is due to be considered by the Executive Board on 17<sup>th</sup> July 2017.
- The guidance and template for Committee and Executive Board reports include sections for authors on risk management. As noted above, both were updated in 2016/17, with the Risk Management section strengthened.
- Risk management workshops and training sessions continue to be offered to council services. In 2016/17, the Senior Risk Management Officer facilitated a lessons-learned review on the Leeds Triathlon; undertook ongoing risk management work with staff involved in delivering the Leeds West Indian Carnival and also delivered a series of training sessions for Housing Services' Property & Contracts staff.
- Quarterly meetings took place during 2016/17 between the Senior Risk Management Officer and Principal Officers from Internal Audit. The purpose of the meetings included sharing information on:
  - Emerging themes from Internal Audit reports regarding control weaknesses / failures and risks arising;
  - Feedback to Internal Audit on any new risks/risk areas identified and any updates/changes to existing risks; and
  - Whether audits are required to review any emerging risks arising after the initial audit plan has been agreed.

### Internal Audit reviews

- 3.2.2 In 2016/17 Internal Audit carried out a review into Environment & Housing's (E&H) risk management directorate arrangements. The scope focused on whether: risks to the achievement of council plan objectives are identified; risks are analysed and escalated in line with corporate risk management processes and there is

evidence that identified directorate risks are being effectively managed, escalated and reported. Internal Audit gave E&H 'acceptable assurance' for their risk control environment. Although risk registers were in place at a service area level and for individual programmes and projects, there was no single risk register that recorded E&H directorate's most significant risks or how they were being managed. The recommendations from the review are being addressed through the council's new organisational structure, whereby future risks from areas formerly within E&H will be included in either the Communities and Environment or Resources and Housing directorate risk registers.

3.2.3 During 2016/17 Internal Audit also reviewed the council's corporate risk management arrangements using CIPFA's risk maturity assessment guidance. Each of the review's eight objectives were graded using a scale from 1 (risk naïve) to 5 (risk enabled). Best practice identifies that public services should attain at least level 3 in order to contribute to the overall control framework, and this was either met or exceeded in all but one area which related to partnership risk management. The results of the assessment found that:

- The highest levels of maturity (level 5: risk enabled) were reached in terms of categorising and prioritising risks, and demonstrating a clear understanding of how risks are to be managed.
- Existing arrangements for risk identification and monitoring compared positively against best practice and were assessed as meeting level 4 (risk managed).
- Several areas that provide the foundation for effective risk management in the above areas were assessed as meeting level 3 (risk defined). These covered the risk management policy, risk responsibilities and embedding risk management into the council's processes.
- The remaining area relating to partnership risk received the lowest maturity rating of our assessment (level 2: risk aware). Partnership arrangements are an increasingly important way of delivering council priorities and recommendations were made which will increase the council's risk maturity in this area and support the effective management of partnership risks moving forward.
- A recommendation was made to review Corporate Governance and Audit Committee's role in relation to risk management, with best practice guidance being used as a basis for this review.
- The report noted that not all of the eight risk maturity areas will need to meet level 5 (risk enabled) and the additional resources required to achieve this should be considered compared to the authority's appetite to achieve full maturity.

3.2.4 The recommendations made from both risk management audits will be considered and implemented as appropriate as part of a planned review of risk management later in 2017/18.

### **3.3 Staffing**

3.3.1 Two members of staff currently lead on 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:

- The Head of Business Planning and Risk is CIPFA-qualified and works closely with Finance colleagues to better integrate strategy and finance. She continues to serve on the ALARM (the Public Risk Management Association) North East & Yorkshire committee and in 2016 was elected as a director to the national ALARM Board; is an ALARM Registered Risk Practitioner and represents the council at regular meetings of the Core City local authority Heads of Performance Management.
- The Senior Risk Management Officer is also CIPFA-qualified; is a member of both ALARM and the Institute of Risk Management (IRM), successfully obtaining the IRM diploma qualification in September 2016 and continues to serve on the IRM North East Regional Group.

### **3.4 2017/18**

- 3.4.1 In 2016/17 all intelligence-related functions were included within the scope of a broader review of the council's support services. The outcome was the formation of the Intelligence and Policy Service on 1<sup>st</sup> April 2017, bringing together staff from across the council working on data analysis, mapping (e.g. ward and locality profiles), performance management, risk management, policy development, business planning and strategy, and consultation and engagement.
- 3.4.2 During 2017/18, as part of the wider intelligence and policy work programme, the new service will review the council's Risk Management Policy and Performance Management Framework and undertake a significant review of the Best Council Plan for 2018/19. This will include KPIs and reporting - with key themes around accountability, improved benchmarking and service/project value for money – and consideration of Internal Audit recommendations, latest guidance, updated standards and any changes in statutory / government requirements of risk and/or performance management in local authorities. In the interim, the current arrangements outlined in sections 3.1-3 will continue.

## **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 Executive Board, Scrutiny Boards, the Corporate Leadership Team and Intelligence and Policy Service colleagues.
- 4.1.2 We will continue to widely consult and engage 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. The arrangements also help the council to target and prioritise resources to help achieve value for money

#### **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 BCP key performance indicators is published on the council's website and the Leeds Observatory, as is the most up to date copy of the corporate risk map. The management of the council's most significant risks and performance related to delivering the 2016/17 Best Council Plan objectives and priorities will be published through annual reports due to be presented to the Executive Board on 17<sup>th</sup> July 2017.
- 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 in support of the Annual Governance Statement, due for consideration and approval by this Committee at today's meeting.

### **7 Background documents**

- 7.1 None