

Report of the Director of Resources and Assistant Chief Executive, Customer Access & Performance

Report to the Corporate Governance & Audit Committee

Date: 4 July 2012

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 in September.
2. The arrangements have been further developed, improved and updated during 2011/12. Of particular note is the introduction of joint risk and performance reports which has enabled better use of the two sets of data and provided a more rounded view for senior officers and members. The risk and performance information is also being used much more directly to inform and provide challenge within appraisals for senior officers.
3. Compliance with the risk management policy and performance management framework is good although further work is planned in 2012/13 to continue to develop and improve the supporting arrangements.
4. We can never be complacent, some risks lie outside our control, and there are cultural and behavioural elements to the successful adoption of these arrangements. However, 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

5. 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 in September. 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. In 2011, in line with the move towards integrated strategic risk and performance reporting, Corporate Governance & Audit Committee agreed that the annual risk assurance report would be replaced with a new combined annual risk and performance assurance report. This is the first joint report.
- 2.2. The 'main issues' section of the report provides assurances on the Council's Risk Management Policy and Performance Management Framework, discusses the key changes around our risk and performance arrangements in the last year and outlines future plans to further improve them.

3. Main issues

- 3.1. The strength of our risk and performance management arrangements stem 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: revised in 2011
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 last year, 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.
How is it communicated?	When first launched, the 2011 version was publicised on the front page of the web Portal and 'In Brief' communications which are available to all Council staff with PC access. It is also published on the Intranet on the Risk Management 'Interest Area' page. Focused discussions on the Policy were held with the members of the Corporate Risk Management Group prior to the document being finalised. Specific risk management awareness sessions are provided by the Risk Management Unit to Corporate Governance & Audit Committee members and Executive members in line with their roles under the Policy and to council staff upon request.
Is it routinely complied with?	Yes: members of the Corporate Risk Management Group are responsible for ensuring compliance with the Policy within their directorates. Formal statements have been provided by each directorate setting out how their arrangements link to, and support, this.
How is it monitored?	The policy will be reviewed annually by the corporate Risk Management Unit or as appropriate and in response to changes in legislation, Council policy and risk management standards. Changes will be consulted upon.

Performance Management	
Name	Performance Management Framework
Is it up to date?	Yes: the performance management arrangements were substantially overhauled in 2011 to take account of the new strategic plans approved in July 2011. The framework has been further revised during the year to build on the learning in implementing the arrangements. Most recent revision was in Mar 2012.
Is it fit for purpose?	Yes: the framework builds on the principles of good performance management as defined in a range of documents including the use of resources inspection criteria that were previously used to judge the council's performance arrangements. Most recently it has been updated to adopt the principles of Outcomes Based Accountability which the council and partnership agreed to adopt in July 2011 alongside the new plans. Performance management arrangements are benchmarked from time to time with Core cities and West Yorkshire colleagues – most recently in early 2012.
How is it communicated?	The framework was co-produced by the corporate performance team in conjunction with performance leads across the directorates and key partners (through the Performance Board) with sign off in Sept 2011. This means that the colleagues across the council and partnership who implement the framework have been able to influence these arrangements, have agreed them and clearly understand them. Key elements of the framework were consulted on, and communicated to, a range of boards during development and approval process including Strategic Planning and Policy Board, the Corporate Leadership Team (CLT) and the Leeds Initiative (LI) Board. The first performance reports to Scrutiny Boards using these new arrangements were also used as an opportunity to communicate the arrangements to them; as well as to seek feedback which has been used to further develop and refine the framework. Performance Board has an ongoing role in implementing the framework and through this, and the other LI lead partnership meetings, communication has been ongoing throughout the year. More recently the Corporate Governance and Audit Committee also reviewed the framework in January 2012.
Is it routinely complied with?	Yes: members of the Performance Board are responsible for ensuring compliance with the framework within their directorates. Formal statements have been provided by each directorate setting out how their arrangements link to, and support, this.
How is it monitored?	The framework has remained in draft during 2011-12 to provide an opportunity to keep the arrangements under review during their first year of operation. A number of minor changes have been implemented as a result of feedback and discussion at Performance Board. Once the final performance reporting cycle for the year has been concluded the framework will be reviewed and finalised. Further review will occur on an annual basis or as the need arises.

Combining Risk & Performance Management

- 3.2. The main improvement in the arrangements during 2011/12 has been less around the two processes and more how the two sets of data have been used more smartly and efficiently. A joint analysis is undertaken by the Council's corporate risk management and performance management teams on a quarterly basis. This is taken into a joint meeting of the Corporate Risk Management Group and Corporate Performance Board where it is reviewed and challenged. This makes the most of the more forward looking risk assessment and the backward looking performance information and provides a more rounded picture for discussion with officers and members.
- 3.3. In a similar vein both sets of information have been used to directly inform the Chief Executive's and Directors' appraisals. The recent changes to the appraisals

process will further develop and embed this as a greater performance focus is brought into appraisals.

Risk Management

- 3.4. 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. In the last year, a single report template has been established for all reports to a Committee (excluding Plans Panel or Licensing Committee), Executive Board and if a key or other delegated decision is required. This includes a section on 'risk management' in which officers must detail the key risks to that decision/policy/project etc.
- 3.5. The most significant risks from these registers and reports are escalated as required, ultimately up to the corporate risk register. The corporate risk register is a live document with risks moving up and down over the year, thereby evidencing the maturity of our review and challenge processes. In January of this year, the corporate risk register was revised to ensure that the risks remained accurate, up to date and also that the risk descriptions made clear what the tangible risks to the authority and/or the city are.
- 3.6. The review resulted in 6 'standing' corporate risks that will always remain on the corporate risk register and for which annual assurance reports will be provided. These risks relate to Safeguarding Children, Safeguarding Adults, Financial Management, City Resilience (i.e. emergency planning), Council Resilience (i.e. business continuity management) and Health & Safety.
- 3.7. The corporate risk register was last reviewed in May and currently contains 23 risks of which 7 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. Detailed reports on the 10 most significant corporate risks will be provided to the Executive Board on 18th July.
- 3.8. Executive portfolio holders see the corporate risk register each quarter and the RMU engages with other Executive members and this Committee to review the corporate risk register as part of a risk management briefing each November/December. Along with the RMU's own 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 should 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

- 3.9. The corporate performance management processes focus on the strategic priorities and ensure that a high level update on each of these is provided to key officers and Members including Corporate Leadership Team, Executive Board and Scrutiny. These provide a comprehensive but succinct update which acts as a 'can opener' to enable further discussion, investigation, reports and action to explore any performance issues and to drive improvement.

- 3.10. The corporate performance management arrangements are supported by a range of other processes and arrangements that further strengthen, challenge and support the performance management framework, most notably:
- (a) Performance Snapshot – the corporate performance team continues to produce a quarterly snapshot as previously reported to the Committee. This brings together a broader range of information, which includes all of the risk and performance information as well as HR, Internal Audit reports, external inspections etc. This information is broken down by Director and Chief Officer and is provided as a tool to support the Chief Executive to inform his appraisals with Directors.
 - (b) State of the City Report – the corporate performance management arrangements are deliberately focused on the small number of strategic priorities. The risk of surprises is mitigated by the annual State of City Report which draws upon a much wider set of data and performance indicators and, therefore, provides a check that there are no performance surprises. The first report was produced in autumn 2011 and launched at a Council meeting to which a range of partners were also invited. The State of the City report will also inform an analysis of the cross-cutting issues such as child poverty or health inequalities as well as providing some evidence to support or challenge whether the city and council priorities are still the right ones.
 - (c) An annual Equality and Diversity Position Statement was published in December 2011. It supports the vision and city wide plans and provides an evidence base that will ensure that appropriate consideration takes place across the council and our strategic partnerships to address issues of inequality and poverty. In addition it also helps the council to meet our specific legal obligations outlined within the Equality Act 2010.
 - (d) Appraisals – Appraisals are a cross council priority and a significant amount of work is underway to develop and improve these. This includes new appraisal forms to better embed performance management and the values, implementation of a new system to track appraisals and personal development plans and introduction of a quality assurance process. The corporate performance team is working with colleagues in HR to ensure that the corporate performance information is used to inform senior officers' appraisals which will in turn support the development of a performance culture across the organisation.

Future improvements for both risk and performance management

- 3.11. Work is ongoing with Partnership Boards to assist them in developing more of a performance culture to build upon the performance reporting arrangements in the framework. Good relationships and trust are crucial building blocks to effective performance management. This cultural element of strong support and challenge between partners needs to be carefully supported and developed, especially for Boards which are new or substantially revised (e.g. the Health and Wellbeing Board).
- 3.12. As referenced above, work will be continuing in 2012-13 with HR colleagues to further embed performance as a key element of appraisals including making best use of the performance data to support these discussions.
- 3.13. The rollout of the corporate risk management system has been delayed. However the planned rollout in 2012/13 should further help streamline the recording and reporting processes.

4. Corporate Considerations

4.1. Consultation and Engagement

4.1.1. As already identified above, the risk and performance arrangements were both revised during the last year with consultation and engagement of key stakeholders (officers and members) underpinning and informing the changes. These new arrangements were discussed and agreed at a range of boards and forums including this Committee. The reports have continued to be revised and amended during the year in response to feedback from the key audiences for the information.

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 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 the changes implemented during 2011/12 have no specific resource implications as they replace similar processes. The new arrangements make both the risk and performance processes more effective through more joined up analysis and are more efficient, particularly for senior officers and members with a single joint risk and performance report.

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 and Leeds Initiative websites.

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 2011/12. Of particular note is the introduction of joint risk and performance reports which has enabled better use of the two sets of data and provided a more rounded view for senior officers and Executive portfolio holders. The risk and performance information is also being used much more directly to inform and provide challenge within appraisals for senior officers.
- 5.2. Compliance with the risk management policy and performance management framework is good although further work is planned in 2012/13 to continue to develop and improve the supporting arrangements.
- 5.3. 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.

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 documents¹

- Risk Management Policy (2011) and Report of the Director of Resources to Corporate Governance & Audit Committee, '*Risk Management Policy Revision*' (30/9/11)
- Performance Management Framework (Mar 2012) and Report of the Chief Officer (Intelligence & Improvement) to Corporate Governance & Audit Committee, '*Performance Management Update*' (23/1/12)
- City Priority Plan 2011-15 and Council Business Plan 2011-15
- Accounts and Audit (England) Regulations 2011

¹ The background documents listed in this section are available for inspection on request for a period of four years following the date of the relevant meeting. Accordingly this list does not include documents containing exempt or confidential information, or any published works. Requests to inspect any background documents should be submitted to the report author.