

**Report of:** Executive Member for Finance and Governance; Strategic Director of Finance, Governance and Support

**Submitted to:** Executive, 18 February 2020

**Subject:** Delivering the Strategic Plan 2020-2023

### Summary

### Proposed decision(s)

That the Executive approves proposed changes to the Council's policies on performance, programme and project and risk management; and the proposed new policy on partnership governance.

| Report for: | Key decision: | Confidential: | Is the report urgent? |
|-------------|---------------|---------------|-----------------------|
| Decision    | No            | No            | No                    |

### Contribution to delivery of the 2020-23 Strategic Plan

| People   | Place | Business |
|--|-------|----------|
| The proposed changes will maximise delivery of the Strategic Plan by strengthening better aligning and integrating these policies, and improving their interrelationship with financial management procedures. |       |          |

### Ward(s) affected

Implementation of the Strategic Plan will positively impact on all wards in Middlesbrough.

## **What is the purpose of this report?**

1. The Council's Strategic Plan for the 2020-2023 period was approved by Full Council on 15 January 2020. In order to maximise delivery against the plan, this report sets out for the Executive's approval:
  - proposed changes to the Council's policies on performance, programme and project and risk management; and
  - a new policy, setting out how the Council will develop and manage its partnerships.

## **Why does this report require a member decision?**

2. The Council's Scheme of Delegation gives the Executive collective responsibility for corporate strategic performance and financial management / monitoring, together with associated action.

## **Report Background**

3. Full Council approved a Strategic Plan for the period 2020-2023 on 15 January 2020. The plan is organised around three strategic aims of People, Place and Business, setting out under each the priorities of the Elected Mayor of Middlesbrough and other key priorities of the Council. It sets out a comprehensive programme of activity to promote improved quality of life across Middlesbrough, which meets the Council's legal obligations and is within its financial means.
4. To maximise delivery against the plan, a number of key changes to the Council's policies on performance, programme and project and risk management are proposed for approval, that:
  - better align and integrate these processes and improve their interrelationship with financial management procedures; and
  - by exploiting solutions provided by the Council's digital and information strategies, allow for enhanced communication of priorities, real-time monitoring and so more effective management.
5. The key changes to these policies are set out in the sections below.
6. In addition, a new policy, setting out how the Council will develop and manage its partnerships in pursuit of its strategic priorities is also proposed for approval.

## **Performance management**

7. While the current performance management policy (approved by the then Executive on 12 June 2018) has been successful in streamlining strategic performance management and reporting, a number of changes are required to improve transparency, strengthen grip across the Council and maintain focus on key priorities.
8. The Strategic Plan sets out 34 measures of community health and wellbeing and organisational performance in which the Council plans to deliver sustainable improvements through the implementation of its strategic priorities.

9. A structured process will be implemented to articulate and communicate for each of these measures:
- the metric to be used, the source of the data and how frequently this is updated;
  - a proposed SMART step change target for the Strategic Plan period and associated per annum targets – this may include specific targets for different geographies or communities of the town;
  - which activity will contribute to the achievement of targets; and
  - what level of performance will be considered to be Red, Amber or Green.
10. Performance in respect of these measures will be continuously updated on the Council's new Open Data portal, to be launched in March 2020. Quarterly reporting on progress against the Strategic Plan to the Executive and Overview and Scrutiny Board will be maintained and supplemented by inclusion of monthly updates to Council by Executive Members.
11. Directorate performance management arrangements will be standardised to allow tracking by Leadership Team on a monthly basis using the Council's business intelligence solutions. This will include:
- a common format for Directorate plans;
  - an employee communications plan for each Directorate plan; and
  - integrated monthly monitoring of performance within Directorates.
12. The Council's revised performance management policy is at Appendix 1.

### **Programme and project management**

13. The Council's current programme and project management (PPM) policy (introduced in 2015) supported by the portfolio management office has been key to improvements over recent years in the delivery of projects to scope, cost, time and quality.
14. However as the Council's approach to PPM has matured a number of improvements in the policy and its supporting processes have been identified.
15. In the absence of standardised Directorate performance management arrangements, there has been a movement over time towards pushing activity that should properly be managed through business-as-usual arrangements into the PPM environment, creating unnecessary bureaucracy. The scope of the PPM policy has been updated to clarify which activity should sit within PPM and improvements to Directorate performance arrangements outlined within the Performance Management Policy will allow tracking of excluded activity to be undertaken in a more appropriate way.
16. Similarly, there has been an increasing trend of programmes or projects being over-scored within the Council's project categorisation matrix (which determines the extent of governance to be applied) to reflect the perceived importance of the activity rather than an objective view of the complexity and benefits of the activity. The categorisation matrix has been revised to (i) align with the Council's risk scoring and appetite (as set out below), (ii) ensure that scoring across the Council is accurate and consistent, and (iii) that governance is proportionate.

17. Combined, the changes outlined in paragraphs 15 and 16 will see the Council’s portfolio of programmes and projects reduce to a level both expected and manageable for an organisation of the Council’s size.

18. The portfolio will be reorganised to clearly align it with the aims and strategic priorities of the new Strategic Plan, with all projects connected to overarching programmes and portfolios wherever possible to clearly articulate their contribution. Programmes and projects that do not contribute to the Council’s priorities will not be progressed unless there is a legal requirement to do so.

19. A number of changes will be made to core documentation, practise and governance arrangements to enhance delivery of programmes and projects, including:

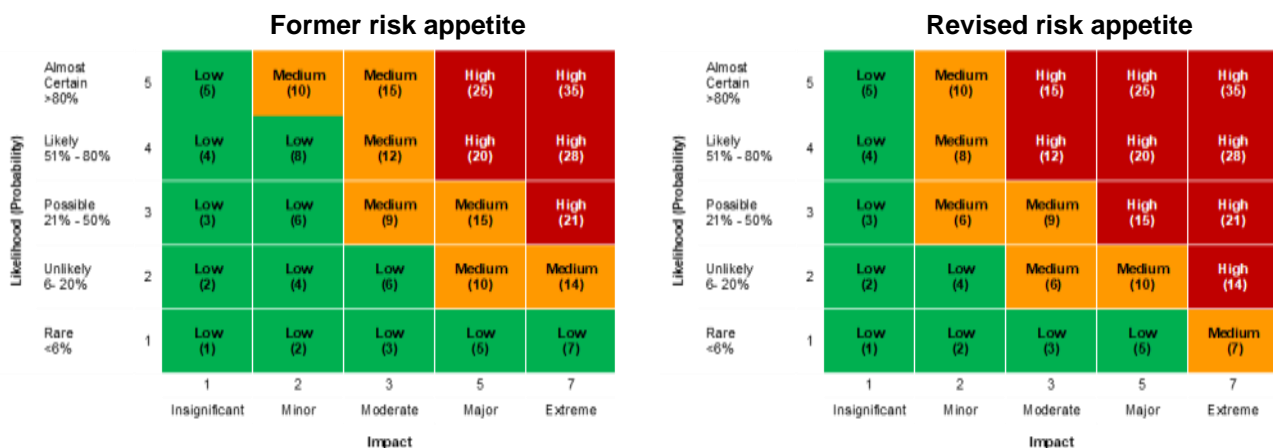
- a specific and scalable business case document will be introduced to improve transparency of the justification for programmes and projects. Other core documentation will be streamlined accordingly;
- a business change framework will be implemented, supported by a business change manager, to ensure that appropriate communications, process improvement and training is delivered at the right time to ensure that the Council maximises benefits from (for example) digital and ICT solutions; and
- the format and frequency of PPM board meetings will be reviewed to ensure by-exception reporting at a portfolio level, make best use of business intelligence solutions and better integrate with monthly Directorate performance management arrangements.

20. The Council’s revised programme and project management policy is at Appendix 2.

### Risk management

21. The current risk management policy (approved by the then Executive on 12 June 2018) has been successful in establishing integrated risk registers across services and embedding risk management practise across the organisation.

22. In view of the Council’s current financial position, the Corporate Management Team has reduced the corporate risk appetite following review in Quarter Three. The new risk appetite is illustrated below.



23. Essentially this means that management action to treat risk wherever practicable is now required at a lower threshold than previously. In the new model, for example, immediate action is now required where moderate risks are likely and major risks are possible.
24. In addition to this, and in line with the current financial position, the tolerance relating to budget management within the risk appetite has been reduced from 10% to 5%.
25. The risk appetite will continue to be reviewed on an annual basis and where necessary be flexed in line with the Council's financial position.
26. To further enhance the level of control over financial risk, work will be undertaken on a quarterly basis to better quantify the Council's financial risk exposure, profiling this over the period of the Medium-Term Financial Plan (MTFP) and beyond, with the Section 151 Officer advising on the estimated level of exposure in the Quarterly Results report to the Executive and Overview and Scrutiny Board.
27. Analysis of financial risk in reviewing this policy has demonstrated that some of what is often presented as financial risk is actually financial *opportunity*. In respect of potential income from housing growth within Middlesbrough, for example, the risk is that income will not match assumptions within the Council's MTFP. Income between this level and the maximum that can be derived from agreed schemes represents a financial opportunity that the Council should seek to maximise in order to improve its financial position. As such the revised policy provides for the development and management of opportunity, as well as risk, registers on a quarterly basis in future.
28. The Council's revised risk and opportunity management policy is at Appendix 3.

### **Partnership governance**

29. An additional policy is proposed in respect of partnership governance, as agreed with the Council's internal audit service.
30. The policy defines a partnership as 'an arrangement in which the Council agrees to collaborate with one or more legally independent organisations to achieve shared objectives and outcomes'.
31. Partnerships are key to the Council achieving its strategic objectives and their importance will inevitably increase in the coming years. It is critical that partnerships are managed with the same diligence as the internal activity described above to ensure that their contribution to the Council's strategic aims and priorities are maximised.
32. The key elements of the policy are:
  - Each partnership will have a lead manager of appropriate seniority.
  - The business case for a partnership will be approved by the appropriate body in the Council before the Council formally enters into a partnership agreement.
  - All agreed partnerships will meet a minimum standard, with the level of detail required to be determined by the significance of the partnership in strategic and financial terms. This will include, for example, the partnership vision, aims and objectives, KPIs, governance arrangements, resourced action plan, and monitoring, review and dissolution processes. All formal partnership agreements and structures must be approved by Legal Services.

- A partnership register will be maintained that lists and defines all partnerships, setting out how they contribute to the Council's strategic aims and priorities.
- An annual review of the performance of significant partnerships will be integrated with the Council's performance management reporting and be informed by an assessment of the lead manager.
- Training and guidance for those employees engaged in collaborative working will be provided.

33. The Council's partnership governance policy is at Appendix 4.

#### **What decisions are being asked for?**

34. That the Executive approves proposed changes to the Council's policies on performance, programme and project and risk management; and the proposed new policy on partnership governance.

#### **Why is this being recommended?**

35. To maximise delivery of the Strategic Plan by strengthening better aligning and integrating these policies, and improving their interrelationship with financial management procedures.

#### **Other potential decisions and why these have not been recommended**

36. The principal potential alternative decisions are to maintain the status quo, or to merge one or more policies. Maintaining the status quo may lead to sub-optimal delivery of the plan, through duplicated monitoring, inadequate responses to financial risk or lack of oversight of partnership activity. Merging of policies is not considered appropriate as while these disciplines do interrelate, they are distinct. It is considered that the proposed decision offers the best solution to enhancing control in a proportionate manner.

#### **Impact(s) of recommended decision(s)**

##### **Legal**

37. The policies amended or established via this report enable the Council to operate within the resources available to it, and continue to meet its various statutory duties, including the overarching Duty of Best Value.

##### **Financial**

38. The policies are deliverable within currently approved and proposed budgets.

##### **Policy framework**

39. In underpinning the achievement of the Strategic Plan, the proposals set out in this report are aligned with the Council's Policy Framework.

##### **Equality and diversity**

40. Not applicable.

## **Risk**

41. The risk and opportunity management policy provides for a closer management of risk across the Council, aligned with the Council's current financial position. Quarterly reporting of the strategic risk register and associated estimated financial exposure will be reported to Executive and Overview and Scrutiny Board on a quarterly basis.

### **Actions to be taken to implement the decision**

42. Subject to the Executive's approval, the revised approach to delivering the Strategic Plan will be fully operational from the beginning of 2020/21, with process changes and staff training implemented during Quarter Four.

43. A further report will be presented to the Executive on 17 March 2020, outlining targets for key measures of success within the Strategic Plan for the 2020-23 period and summary of contributory activity to be delivered across all Directorates in 2020/21.

44. The first annual partnerships report will be included within the Council's end of year results report, which will be considered by the Executive in May 2020.

## **Appendices**

- 1 Revised performance management policy
- 2 Revised programme and project management policy
- 3 Revised risk and opportunity management policy
- 4 Partnership governance policy

## **Background papers**

|          |           |  |
|----------|-----------|--|
| 12/06/18 | Executive | Review of Performance and Risk Management Frameworks |
| 15/01/20 | Council   | Strategic Plan 2020-23                               |

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