

Report of: Director of Legal and Governance Services (Monitoring Officer)**Submitted to:** Corporate Affairs and Audit Committee, 6 April 2022**Subject:** Performance and Risk Management: Annual Assurance Report 2021**Summary****Proposed decision(s)**

That the Committee notes the arrangements in place to govern performance and risk management within the Council, progress in the past year, and plans to further strengthen those arrangements.

| Report for: | Key decision: | Confidential: | Is the report urgent? |
|--------------------|----------------------|----------------------|------------------------------|
| Information | Not applicable | No | Not applicable |

Contribution to delivery of the 2020-23 Strategic Plan

| People | Place | Business |
|---|--------------|-----------------|
| Effective performance and risk management supports the achievement of all strategic priorities set out within the Council's Strategic Plan 2021-24. | | |

Ward(s) affected

The proposals have no direct impact on wards in Middlesbrough.

What is the purpose of this report?

1. The purpose of this report is to outline the Council's approach to performance and risk management, to summarise activity in the past year and planned activity for 2022 to provide the Committee with assurance that the Council has robust arrangements in place for these disciplines.

Why does this report require a Member decision?

2. To support the Committee in discharging its remit to seek assurance that the Council has good corporate governance practices, which includes performance, programme and project and risk management.

Background

3. The Council's approach to these disciplines is articulated within the following policies:
 - Performance Management Policy;
 - Programme and Project Management Policy; and
 - Risk and Opportunity Management Policy.
4. In February 2020, revised versions of these policies were approved by the Executive to maximise their impact on the Council's strategic aims and priorities, as set out within the Strategic Plan. The revisions better aligned and integrate the process underpinning these policies and improved their relationship with financial management procedures, and aimed to better exploit the solutions provided by the Council's digital and information strategies to promote real-time and more effective management. These policies were further embedded during 2021.

Performance management approach

5. Full Council approved a Strategic Plan for the period 2021-24 on 24 February 2021, setting out nine strategic priorities for this period in the light of COVID-19 and other external factors.
6. At its meeting of 11 May 2021, the Executive agreed an associated set of outcome measures linked to these priorities and a supporting workplan to deliver sustained improvement up to and beyond 2024. This is the first time such a document had been approved by the Executive, which under the Council's Scheme of Delegation has collective responsibility for corporate strategic performance, together with associated action. A Strategy Delivery Manager was appointed to programme-manage the Strategic Plan Workplan.
7. Significant work was also undertaken in the year to improve Directorate and strategic performance management, with the implementation of a monthly performance review cycle using an integrated performance dashboard drawn from a range of feeder systems which record different aspects of corporate performance. Screenshots from this dashboard are at Appendix 1 for reference.
8. The monthly performance cycle (based on a four-week month) is as follows:

Week 1 Feeder systems updated by responsible officers

Week 2 Directorate Performance Reviews using dashboard

Week 3 Feeder systems further updated following Directorate Performance Reviews

Week 4 LMT Performance Review using summary slide pack

9. The Directorate and LMT Performance Reviews subsume all previous similar meetings, such as Directorate Programme Boards, though these can still be called where necessary, for example to approve key gateway documents.
10. Directorate and LMT Performance Reviews consider the following on a 'by exception' basis, with only matters considered to require discussion or steer raised:
 - actions agreed by the Executive (including responses to scrutiny reports);
 - the Strategic Plan Workplan (both in terms of activity and outcomes);
 - Directorate priorities;
 - the Council's portfolio of programmes and projects;
 - compliance indicators (e.g. completion of audit actions); and
 - Directorate and strategic risk registers.
11. Where matters are not raised it is assumed that any delays are immaterial and will be 'course-corrected' at a local level by responsible Directorates.
12. The output from these sessions is reflected in a revised quarterly update to the Executive and Overview and Scrutiny Board, broadening the content of these reports from the past focus on the Strategic Plan and Strategic Risk Register (SRR) and covering in addition progress on those other matters outlined at paragraph 10.
13. While COVID-19 has continued to be disruptive in terms of planned performance, a number of significant achievements have been made in line with the Council's Strategic Plan Workplan, and these have been reported to the Executive and Overview and Scrutiny Board on a quarterly basis.
14. The above-described changes have served to significantly improve focus upon and strengthen delivery of the Strategic Plan. The key area of improvement relates to identifying, articulating and reporting upon targets for the measures of success set out in the Strategic Plan. This is necessary so that the Council can be assured that activity being delivered with the Strategic Plan Workplan is having a sufficiently positive effect to deliver the strategic objectives set out within the Strategic Plan.
15. While a refresh of the Strategic Plan has been deferred in 2022/23 due to the need to consider the implications of several key White Papers over the past year (as reported to full Council on 30 March 2022), the issue of targeting will be addressed in a refresh of the Strategic Plan Workplan, to be considered by the Executive in April 2022.
16. During the past 12 months there has again been a strong focus on improving the use of performance data within children's services and embedding a strong performance management culture within the service, which have been recognised and commended by the Government-appointed Commissioner and the Department for Education.
17. LMT will continue to consider and monitor plans to expedite the roll-out of approaches and tools developed within Children's Services across the wider organisation during 2022/23.

Programme and project management approach

18. The Programme and Project Management (PPM) policy and its underpinning framework provide a standardised approach to the governance of programmes and projects, including standard documentation.
19. Since the introduction of this policy in 2015, the Council's approach to PPM has matured and a number of improvements have been identified and implemented via the Portfolio Management Office (PMO).
20. All projects within the Council's portfolio continue to be connected to overarching programmes and portfolios wherever possible to clearly articulate their contribution.
21. At the time of writing there are projects in the portfolio that are being managed under the PPM framework. These projects are supported and monitored by the PMO and are reported by exception to the new monthly Directorate and Leadership Team performance review meetings described earlier in the report and in the quarterly reports to members.
22. A number of changes made to the PPM framework in 2020/21 in respect of core documentation and the associated support structure began to be embedded throughout 2021/22 as new projects were initiated. These include:
 - a specific and scalable business case document to improve transparency of the justification for programmes and projects;
 - a stronger emphasis on business change management to support service transformation programmes and projects;
 - implementation of a social value model to strengthen the integrity of projects focused on social (rather than simply financial benefits) and to better demonstrate social return on investment; and
 - delivery of a project management masterclass for programme and project managers in the use of the framework and governance arrangements required.
23. The compliance of programmes and projects with the PPM framework is also assessed periodically by the Council's internal auditor, Veritau, either through a scheduled audit or at the request of this Committee, statutory or other senior officers.
24. In February 2022, Veritau completed an audit of the BOHO X project, which is the subject of a separate report to this meeting of the Committee, and found that the project was not always managed in line with the Council's Constitution and the PPM framework. Proposed actions to address the issues found by the auditor are set out within that report for information and will be implemented during 2022.
25. In response to the auditor's findings, the PMO reviewed the Council's portfolio in detail to provide greater assurance of compliance with the current version of the PPM framework.
26. This work identified issues with the recording and management of controls within several projects that have now been amended. It was also noted that some projects had proceeded to delivery stage apparently without prior approval of a business case by the appropriate body of the Council, as is required by the PPM Policy. However in

such cases an equivalent process to ensure value for money had been undertaken e.g. financial assessment signed off by the Section 151 Officer.

27. To address these issues, the PPM framework has been updated to emphasise:
- the process for initiating a project and the implementation of appropriate governance arrangements;
 - the requirement that all projects must be supported by a fully justified business case before any approval or funding (internal or external) can be sought; and
 - the roles and responsibilities of those involved in the governance, direction and delivery of projects.
28. In addition, the PMO has also developed and introduced a mandatory and standardised project management workbook to support the recording and management of project controls to be reviewed at project board meetings, prior to the submission of monthly highlight reports.
29. Going forward, a project health check toolkit is also being developed and a schedule of reviews by the PMO will be implemented to reinforce and improve compliance with the PPM framework and ensure the robust management of project controls.

Risk management approach

30. During 2020 the Council's risk appetite was refreshed reviewed and revised to bring it in line with the Council's current financial standing so that risks are being captured and scored in line with this. All risk management documentation was also reviewed and updated to reflect these changes. On review, no changes were made to the Council's risk appetite during 2021.
31. The Council uses risk registers to manage the various risks it identifies. The overarching risk register (the Strategic Risk Register) captures the most significant risks the organisation is exposed to that could impact on its ability to deliver the strategic priorities outlined in the Strategic Plan.
32. The Strategic Risk Register is underpinned by departmental level risk registers. Within project and programmes, risks are captured through the use of standardised project documentation, which includes risk registers. There are processes in place to ensure risks are considered either as they are managed during business-as-usual activity or throughout the life of a project and that they are escalated and de-escalated as appropriate.
33. A summary of the Strategic Risk Register is considered every three months by the Executive as part of a report on performance against delivery of the Strategic Plan and other key performance measures, with the same report considered by Overview and Scrutiny Board. A summary of the Strategic Risk Register at Quarter Three 2021/22 is at Appendix 2 for reference.
34. The status of risks are reported by exception to the new monthly Directorate and Leadership Team performance review meetings described earlier in the report and in the quarterly reports to members.

35. The Council's risk management arrangements were audited during 2020, receiving an opinion of *Substantial Assurance*. A Risk Management Improvement Plan was first developed in 2017/18 and is refreshed on an annual basis, focusing on:
- risk identification and monitoring;
 - management processes; and
 - communication and training.
36. The key improvement activity undertaken during 2021/22 was a whole scale review of risk mitigations within the Council's risk registers by Heads of Service, with changes made where appropriate to ensure that positive action is being taken where appropriate to reduce risk where the current score is higher than the target score. This led to further work to amend the Council's risk system to state more clearly the treatment currently being applied to each risk e.g. 'tolerate'.
37. Work for the coming year includes a review of how the Council presents strategic risk, how project risks are captured within the Council's risk system and a review of resourcing of risk management support.
38. The corporate Risk Management Group continues to meet on a quarterly basis to monitor the implementation of the risk management improvement plan and to identify new and emerging risks to the organisation, reporting to the newly established Corporate Governance Board by exception.

What decision(s) are being asked for?

39. That the Committee notes the arrangements in place to manage performance and risk management within the Council, progress in the past year, and plans to further strengthen those arrangements.

Why is this being recommended?

40. To support the Committee in discharging its responsibility in relation to corporate governance, including performance and risk management.

Other potential decisions and why these have not been recommended

41. Not applicable.

Impact(s) of recommended decision(s)

Legal

42. The proposed activity is consistent with and will promote the achievement of the Council's legal duty to achieve Best Value.

Financial

43. It is anticipated that all activities set out in this report are achievable within existing and planned budgets.

Policy Framework

44. Current and planned activity outlined is consistent with the direction of travel set out in the 'Business' section of the Strategic Plan, so this report does not seek to vary the Council's Policy Framework.

Equality and Diversity

45. Not applicable.

Risk

46. The processes set out within this report supports work to mitigate the risk of the Council not having adequate governance processes in place to ensure that compliance is in place with all relevant legislation (Risk Register No O8-054).

Actions to be taken to implement the decision(s)

47. The activity outlined in the main body of the report will result in continued improvements in the Council's performance and risk management arrangements, with progress reported to the corporate Risk Management Group and Corporate Governance Board on a quarterly basis.

Appendices

- 1 Screenshots from Directorate Performance Dashboards
- 2 Summary Strategic Risk Register at Quarter Three 2021/22

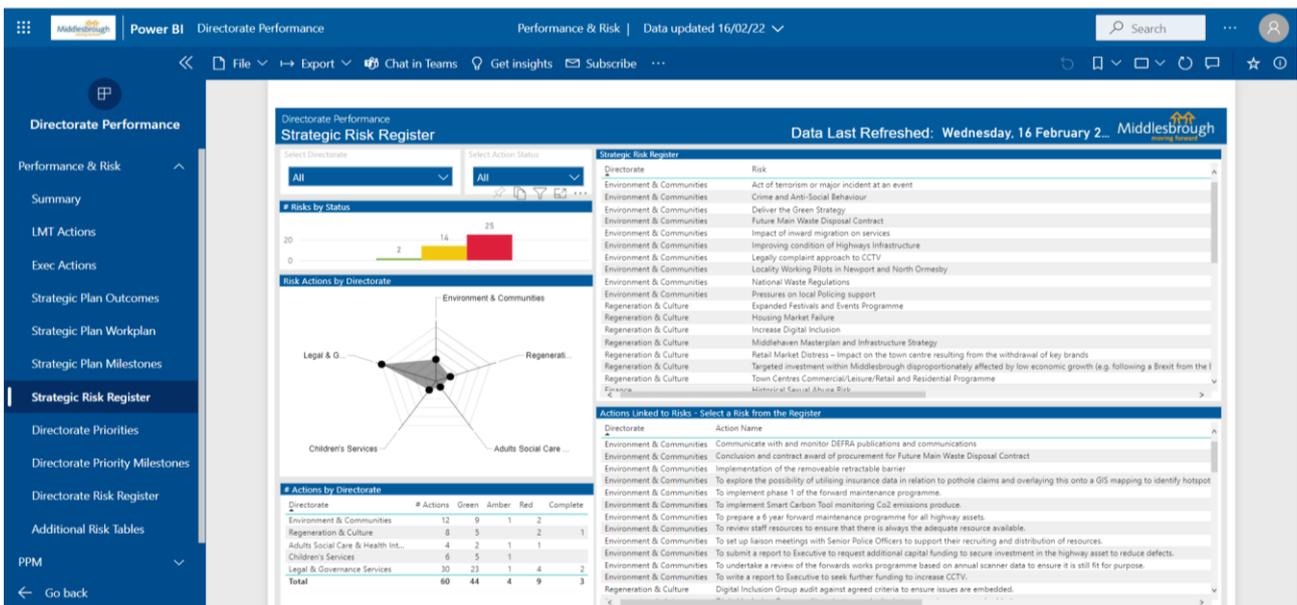
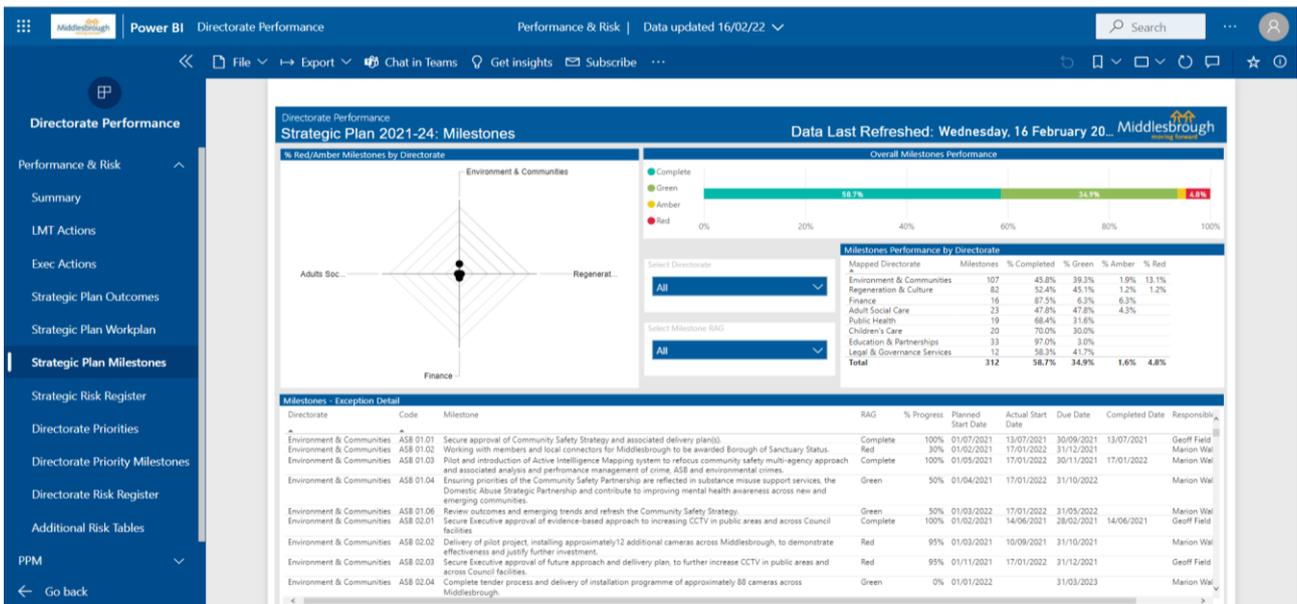
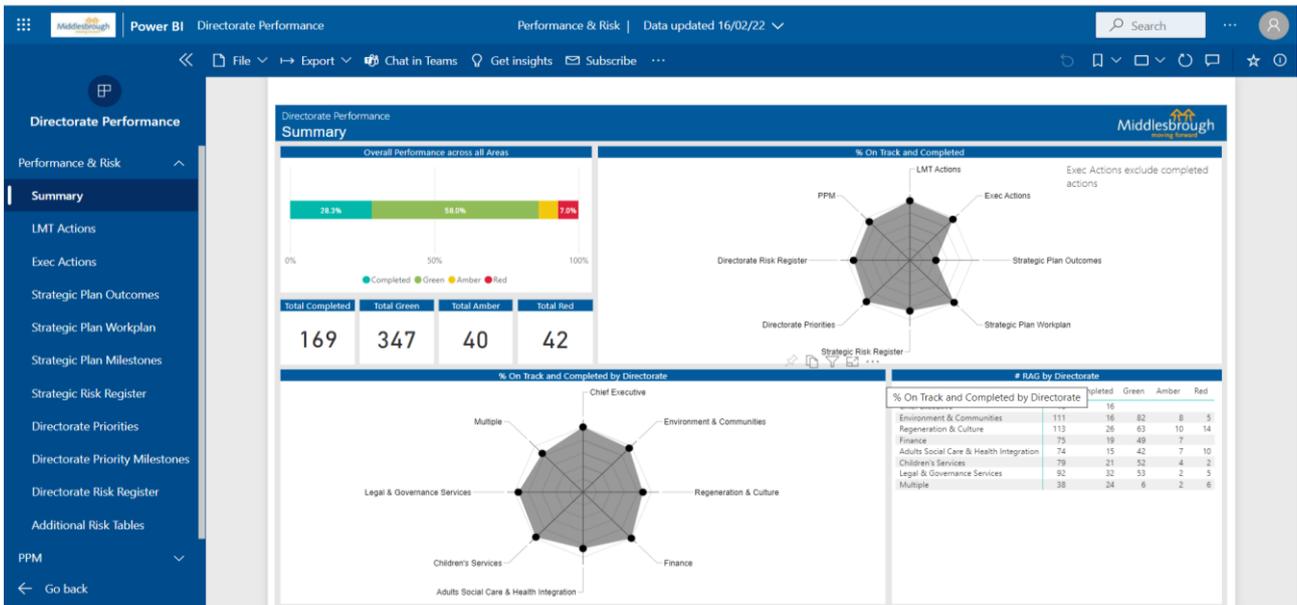
Background papers

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|----------|---------------------------------------|--|
| 26/07/18 | Corporate Affairs and Audit Committee | Annual Assurance Report: Risk |
| 06/06/19 | Corporate Affairs and Audit Committee | PMO Six monthly report |
| 25/07/19 | Corporate Affairs and Audit Committee | Annual Assurance Report: Risk |
| 04/02/21 | Corporate Affairs and Audit Committee | Performance and Risk Management: Annual Assurance Report 2020 |

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Appendix 1: Screenshots from Directorate Performance Dashboard



Appendix 2: Summary Strategic Risk Register: Status at Quarter Three 2021/22

The table below sets out risks to the achievement of the Council's strategic priorities at Quarter Three 2021/22 in order of severity, with impacts ranging from insignificant to extreme, and likelihood ranging from rare to almost certain to happen.

In line with its Risk and Opportunity Management Policy, the Council aims (where possible) to manage down High risks to the lowest practicable level immediately and Medium risks to the lowest practicable level within three months.

| Risk Level | Risk | Likelihood | Impact | Trend |
|------------|--|----------------|---------|-------|
| High | Failure to control expenditure within Children's Services (MFTP pressure). | Likely | Extreme | ➔ |
| High | Local uptake of the C19 vaccine is poor resulting in increased transmission | Likely | Extreme | ➔ |
| High | Insufficient funding available to meet demand / costs associated with the Health and Social Care Bill | Likely | Extreme | ➔ |
| High | Retail market distress impacting Middlesbrough town centre. | Almost Certain | Major | ➔ |
| High | Insufficient funding to meet increased expenditure that might be incurred from increased demand as a result of COVID-19 (MFTP pressure). | Possible | Extreme | ➔ |
| High | Failure to have a legally compliant approach to CCTV | Possible | Extreme | ➔ |
| High | Breach of data rights due to untimely response to information requests. | Possible | Major | ➔ |
| High | Insufficient year 7 school places available to meet demand over the next 5 years | Possible | Major | ➔ |
| High | High residential voids / low sale values within Middlesbrough. | Possible | Major | ➔ |
| High | Historical investigations requiring changes to social work practice. | Possible | Major | ➔ |
| High | New historic child abuse claims. | Possible | Major | ➔ |
| High | Failure to maintain adequate corporate governance. | Possible | Major | ➔ |
| High | Failure to align operations and culture within strategic objectives. | Possible | Major | ➔ |
| High | Decline in new housebuilding impact on Council income. | Possible | Major | ➔ |

| Risk Level | Risk | Likelihood | Impact | Trend |
|-------------------|--|-------------------|---------------|--------------|
| High | External factors (e.g. Brexit, COVID-19) impacting Middlesbrough's economy. | Possible | Major | ➔ |
| High | Future waste disposal contract costs (MTFP pressure). | Possible | Major | ➔ |
| High | Failure to adequately plan for new COVID-19 wave or subsequent pandemics. | Unlikely | Extreme | ➔ |
| High | Disruption from national / local elections. | Likely | Moderate | ➔ |
| Medium | UK / EU Trade and Security Deal adversely affecting Council operations. | Unlikely | Major | ➔ |
| Medium | Failure to develop effective partnerships. | Unlikely | Major | ➔ |
| Medium | National Waste Review (MTFP pressure). | Unlikely | Major | ➔ |
| Medium | Reduction in frontline policing impacting on crime / community resilience. | Possible | Moderate | ➔ |
| Medium | Failure to recruit and / or retain key staff. | Possible | Moderate | ➔ |
| Medium | Limited or no partnership involvement due to COVID-19 with the Children's Service Safeguarding Improvement Plan. | Possible | Moderate | ➔ |
| Medium | Terrorist incident (reflects National Threat Level). | Rare | Extreme | ➔ |
| Medium | Failure to adapt service delivery to COVID-19 Secure guidelines. | Rare | Extreme | ➔ |
| Medium | Poor skills profile of school leavers. | Unlikely | Moderate | ➔ |
| Medium | Inward migration increasing demand for services. | Unlikely | Moderate | ➔ |