

Report of: Director of Legal and Governance Services**Submitted to:** Corporate Affairs and Audit Committee, 4 February 2021**Subject:** Performance and Risk Management: Annual Assurance Report 2020**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 2020-23.

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 2021 to provide the Committee with assurance that the Council has robust arrangements in place for these disciplines.
2. This report replaces the previously separate reports on programme and project and risk management in order to more clearly outline the interrelationship of governance of these disciplines with organisational performance management.

Why does this report require a Member decision?

3. 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

4. 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.
5. In February 2020, revised versions of these policies were approved by the Executive in order 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.

Performance management approach

6. Full Council approved a Strategic Plan for the period 2020-2023 on 15 January 2020. However, nine days after this plan was approved, the first case of COVID-19 in Europe was reported, with the first case in the UK confirmed a week later on 31 January, in York. The first confirmed death in Middlesbrough was on 19 March and it is now well-established that since then Middlesbrough has experienced one of the highest rates of confirmed COVID-19 cases in the UK.
7. COVID-19, both the response to it and the recovery from it, will have a significant impact on the local people and communities, the local economy and fundamentally change the way the Council does business in the future. As such, on 16 December Full Council approved a public consultation on a set of revised priorities for the remainder of the Elected Mayor of Middlesbrough's term. This priorities will form the basis of a revised Strategic Plan to be considered by Full Council in February 2021.
8. While COVID-19 has been disruptive in terms of planned performance, a number of significant achievements have been made in line with the Council's Strategic Plan. These have been reported to the Executive and Overview and Scrutiny Board on a quarterly basis and were summarised in the December report to Full Council.

9. This report also sets out plans to improve focus upon and strengthen delivery of the Strategic Plan, a supporting workplan will be developed in the period to March 2021, bringing together all current and planned activity in support of the Council's strategic priorities. This workplan will be presented to the Executive for approval on 16 March 2021.
10. Significant work has also been undertaken in the year to integrate performance data across the organisation and develop a number of portals and dashboards to improve corporate and Directorate performance management. Leadership Team continues to review the corporate dashboard on a monthly basis. The focus in the coming year will be to implement monthly cycles across all Directorates that will support the delivery of improved performance against strategic change and business-as-usual activity in line with the Performance Management Policy.
11. During the last 12 months there has 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. Corporate and Directorate officers have worked closely together to deliver improvements to performance management that have been recognised and commended by the Government-appointed Commissioner and the Department for Education.
12. In addition to this there has also been a strong focus on improving performance data on crime and anti-social behaviour with a number of dashboards and analyses being produced to support ongoing activity to reduce the prevalence and impact of crime and ASB within Middlesbrough.

Programme and project management approach

13. 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.
14. 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.
15. In the past activity that should properly be managed through business-as-usual arrangements was managed in the PPM environment to provide additional assurance around its delivery, however this has now been addressed by strengthening oversight of business-as-usual and the delivery of change activity that does meet PPM thresholds.
16. Similarly, has also been an improvement in the last 12 months in the accuracy of scoring programmes or projects when assessing their complexity. The categorisation matrix has been revised to (i) align with the Council's risk appetite and scoring, (ii) ensure that scoring across the Council is accurate and consistent, and (iii) that governance is proportionate.
17. As a result of both improvement actions, the Council's portfolio of programmes and projects has reduced to a level both expected and manageable for an organisation of the Council's size.

18. The portfolio has been reorganised to clearly align it with the aims and strategic priorities of the current Strategic Plan, with all projects connected to overarching programmes and portfolios wherever possible to clearly articulate their contribution.
19. COVID-19 has a significant impact on the progress of programmes and projects worldwide, with the Council being no exception. An analysis was undertaken in the year on the impact of COVID-19 on time, cost, scope and benefits. This has informed the review of the Council's Medium-Term Financial Plan, budgeting for 2021/22 and the forthcoming revision of the Council's Strategic Plan and will be kept under continuous review.
20. A number of changes will be finalised by the end of 2020/21 to core documentation and support structure in place to reflect the above and enhance delivery of programmes and projects going forward, including:
 - a specific and scalable business case document to improve transparency of the justification for programmes and projects to allow for increased scrutiny and detail without needing artificially inflated scoring;
 - a strong emphasis on business change management within the supporting framework to support service transformation programmes and projects;
 - a social value model included the framework to strengthen the integrity of social value projects and to demonstrate social return on investment;
 - integration of PPM board meetings within the planned monthly performance management cycle, continuing to focus on exception reporting at a portfolio level, making best use of business intelligence solutions; and
 - commence the development and delivery of a project management masterclass to educate programme and project managers in the use of the framework and governance arrangements required.

Risk Management approach

21. During 2020 the Council 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 has also been reviewed and updated to take on board these changes.
22. 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.
23. 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.
24. 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 Two 2020/21 is at

Appendix 1. The Committee should note the risk profile relating to Brexit has changed as a result of confirmation of the UK / EU Trade and Security Agreement in late December 2020. This will be reflected in the Quarter Three update.

25. The status of risks has been included in the monthly integrated performance management process and although due to COVID-19 formal meetings have yet to be launched, portals containing required information are available to managers and are being used to inform performance and risk discussions, following the successful roll-out of the council's risk management ICT system across the organisation.
26. A Risk Improvement Plan was developed in 2017/18 and is refreshed on an annual basis. Activity focusses on the following areas:
 - risk communication and training;
 - risk identification and monitoring; and
 - risk management processes.
27. Key activities and events since risk was last reported to the Committee are set out in the following paragraphs.
 - 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.
 - A risk management masterclass continues to be provided for officers on a quarterly basis where required, although it has been replaced by ad hoc remote sessions, focussed on new employees during the pandemic. An awareness session for members forms part of the Member Development Programme and was provided this Committee on 24 August 2020.
 - Links with the Council's internal auditor were strengthened further during 2020 with the Audit and Assurance Manager now being a member of the corporate Risk Management Group and Corporate Governance Board. The Council's risk registers continue to inform the annual internal audit plan.
 - All final audit reports are now loaded into the risk management ICT system so actions can be tracked and reminders sent out to relevant officers to improve visibility and oversight.
28. The Council's risk management arrangements were audited during the year, receiving an opinion of **Substantial Assurance**. During 2021/22 work will be undertaken to build on the progress made in 2020/21, including:
 - reviewing and refreshing risk mitigation activity within the Council's risk registers;
 - undertaking a review of the communications and engagement plan, aligning it to the wider corporate governance agenda; and
 - supporting the roll-out of the integrated monthly performance process.

What decision(s) are being asked for?

29. 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?

30. To support the Committee in discharging its responsibility in relation to corporate governance, including business continuity management.

Other potential decisions and why these have not been recommended

31. Not applicable.

Impact(s) of recommended decision(s)

Legal

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

Financial

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

Policy Framework

34. 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

35. Not applicable.

Risk

36. 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)

37. 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 Summary Strategic Risk Register at Quarter Two 2020/21

Background papers

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

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Appendix 1: Summary Strategic Risk Register at Quarter Two 2020/21

The table below sets out high and medium risks to the achievement of the Council's strategic priorities at Quarter Two 2020/21 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	Impact	Likelihood	Trend
High	Business continuity impacted by No Deal Brexit.	Extreme	Almost certain	⬆️
High	External factors (e.g. Brexit, COVID-19) impacting Middlesbrough's economy.	Extreme	Almost certain	⬆️
High	Failure to control expenditure within Children's Services (MFTP pressure).	Extreme	Likely	➡️
High	Retail market distress impacting Middlesbrough town centre.	Major	Almost certain	➡️
High	Failure to achieve full reimbursement from Government for costs incurred in responding to COVID-19 to date and risks of further costs being incurred as a result of local outbreaks (MFTP pressure).	Extreme	Possible	➡️
High	Insufficient funding to meet increased expenditure that might be incurred from increased demand as a result of COVID-19 (MFTP pressure).	Extreme	Possible	➡️
High	Failure to adapt service delivery to COVID-19 Secure guidelines.	Extreme	Possible	➡️
High	Inaccurate MFTP resulting in funding gap requiring further savings.	Major	Likely	➡️
High	Breach of data rights due to untimely response to information requests.	Major	Likely	➡️
High	High residential voids / low sale values within Middlesbrough.	Major	Likely	➡️
High	Inadequate safeguarding practices lead to children and young people being at risk.	Major	Likely	➡️
High	Historical investigations requiring changes to social work practice.	Major	Possible	⬆️
High	Partners' funding position impacting the Council (MFTP pressure).	Major	Possible	➡️
High	Children impacted by social care transformation.	Major	Possible	➡️
High	New historic child abuse claims.	Major	Possible	➡️
High	Failure to maintain adequate corporate governance.	Major	Possible	➡️
High	Failure to align operations and culture within strategic objectives.	Major	Possible	➡️

Risk Level	Risk	Impact	Likelihood	Trend
High	Decline in new housebuilding impact on Council income.	Major	Possible	→
High	Limited or no partnership involvement due to COVID-19 with the Children's Service Safeguarding Improvement Plan.	Major	Possible	→
High	Failure to adequately plan for new COVID-19 wave or subsequent pandemics.	Extreme	Unlikely	→
High	Failure to comply with statutory duties.	Extreme	Unlikely	→
High	Terrorist incident (reflects National Threat Level).	Extreme	Unlikely	→
High	Disruption from national/local elections.	Moderate	Likely	→
Medium	Failure to develop effective partnerships.	Major	Unlikely	→
Medium	Poor skills profile of school leavers.	Major	Unlikely	→
Medium	Data protection law breach – failure of staff to complete training.	Major	Unlikely	→
Medium	National Waste Review (MTFP pressure).	Major	Unlikely	→
Medium	Future waste disposal contract costs (MTFP pressure).	Major	Unlikely	→
Medium	Reduction in frontline policing impacting on crime / community resilience.	Moderate	Possible	↓
Medium	Failure to recruit and / or retain key staff.	Moderate	Possible	→
Medium	Inward migration increasing demand for services.	Moderate	Unlikely	→
Medium	Failure of Centre Square development to provide expected returns.	Minor	Possible	→
Medium	Failure of TeesAMP to provide expected returns.	Minor	Possible	→
Medium	Insufficient primary school places in central Middlesbrough.	Moderate	Unlikely	→
Medium	Poor quality of services provided by health partners impacting / increasing demand for Council services.	Minor	Possible	→