Wiltshire Council

Cabinet

26 March 2019

Subject:	**Adoption of a new Performance Management and Risk Management Policy**
Cabinet Member:	**Cllr Philip Whitehead Cabinet Member for Finance, Procurement, ICT and Operational Assets**
Key Decision:	**Non Key**

Executive Summary

This report introduces an updated policy for the management of performance and risk across the Council.

Wiltshire Council uses performance and risk management alongside strong budget management to ensure that the work undertaken by the Council's services and partnerships is delivering the stated priorities of the Council; making the best use of available resources.

The new policy combines and codifies existing practice and also responds to the recommendations of the recent Corporate Peer Challenge. Among other recommendations the corporate peers suggested that in order to enable the most effective delivery of the Business Plan the Council should seek to clarify and quantify its key priorities. Sharper focus should be brought to organisational delivery and resource allocation which underpin this. Also, that the Council should more closely align financial and budget planning to organisational priorities and underpin this with a more robust planning and performance management regime. This will enable better linking of business and financial planning and further supporting a culture of openness and accountability.

A recent internal audit of Performance and Risk concluded that the most significant action required was to put in place up-to-date and comprehensive strategic documentation. The audit report also suggested that the Council should revisit its risk appetite and how this is defined.

The new policy is a response to these findings and recommendations and also formalises much of the current practice which has been developed since previous separate strategies were approved. The new policy sets out an assurance framework; including risk and linking to financial management, which through business planning, monitoring and management links all activity back to Wiltshire Council's strategic priorities as set out in the Business Plan.

Proposal(s)

Cabinet are asked to approve and adopt the new Performance and Risk Management Policy, to delegate to the Cabinet member for Finance, Procurement, ICT and Operational Assets the authority to approve amendments do not make material change to the policy and to delegate to the Director of Corporate Functions & Digital and the Director of Finance the responsibility for the policy's implementation.

Reason for Proposal(s)

Current strategies do not reflect practice which has been developed and improved in recent years. The new policy clarifies and codifies a corporate approach to performance and risk management that also meets the recommendations of the Corporate Peer Challenge and Internal Audit.

Alistair Cunningham,
Corporate Director

Wiltshire Council

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Purpose of Report

1. This report introduces the new corporate Performance and Risk Management Policy that sets out an assurance framework including business planning, performance management and risk management. The Cabinet is asked to approve the policy.

Relevance to the Council's Business Plan

2. The Council's Business Plan explains that Wiltshire Council will work to become an innovative and effective Council. One of the eight key areas highlighted under this ambition is performance. Approving this new policy is a step towards delivering effective performance management driving a focus on customers and delivering better outcomes.

Background

3. Performance and Risk Management currently operates across Wiltshire Council on a set of informally agreed principles. The existing Risk Management Strategy dates from 2014 and the practice of risk management in Wiltshire Council has grown and improved beyond the boundaries set by that strategy. Performance Management operates by a process agreed and supported by the Corporate Leadership Team.

4. The Corporate Peer Challenge, undertaken by the Local Government Association at the end of 2017, identified the need *"To enable the most effective delivery of the Council's Business Plan it should seek to clarify and quantify its key priorities. In such a way a sharper focus can be brought to organisational delivery and resource allocation which underpin this."*. The Council's response to this particular challenge has been to develop a comprehensive service planning approach which would form part of an Assurance Framework *"…one that more explicitly links business, risk, financial planning, and major programmes into one coherent whole with a clear and coherent 'Golden Thread' throughout".*

5. The Corporate Policy and Assurance team have been developing this assurance framework for the last 12 months. The new Performance and Risk Management Policy ensures that the future development of that framework

and the practice it leads to addresses the needs identified by the Peer Challenge. The policy and its associated guidance have been designed to implement a standard approach across the Council while minimising the demands on services to complete reporting processes.

6. In October and November 2018 an internal audit of Performance and Risk Management in Wiltshire Council was completed at the request of the Council's Audit Committee. Overall the conclusion was that controls in place were *Reasonable*.

7. One high priority recommendation was made which was to ensure that there is appropriate strategic documentation in place to manage performance and risk across the Council. The new Performance and Risk Management Policy and its related guidance are the required strategic documentation.

8. The Audit also suggested that the Council review and set its risk appetite. Currently the Council has a blanket score level risk appetite that has not been fully reviewed since 2014. The new Performance and Risk Management Policy sets out a process by which the Council will set a more nuanced risk appetite in the future and a process for reviewing the appetite set.

Main Considerations for the Council

9. The new Performance and Risk Management Policy aims to provide a framework that covers business planning, performance and risk management and a link with financial management. There are a number of key areas in which the new policy will shape the Council's approach to performance and risk management.

<u>A Corporate Performance Assurance Framework</u>

10. The new policy makes provision for a consistent approach to business planning to be the link that connects performance, risk and financial management to the priorities in the Council's business plan. Outcome delivery planning will be used to direct activities across the organisation; replacing service-based business planning. Outcomes around which delivery plans are established will be developed from Wiltshire Council's Business Plan. Each outcome plan will involve actions from a number of service areas.

11. Every service activity has a measure of success that can be used as a performance measure and the risks that prevent success are considered. Outcome plans are written with the proposed budget in mind in the final quarter of the financial year. Budget planning is informed by service planning (which covers the following four years) in the third quarter of the following financial year.

Wiltshire Council's Corporate Assurance Framework
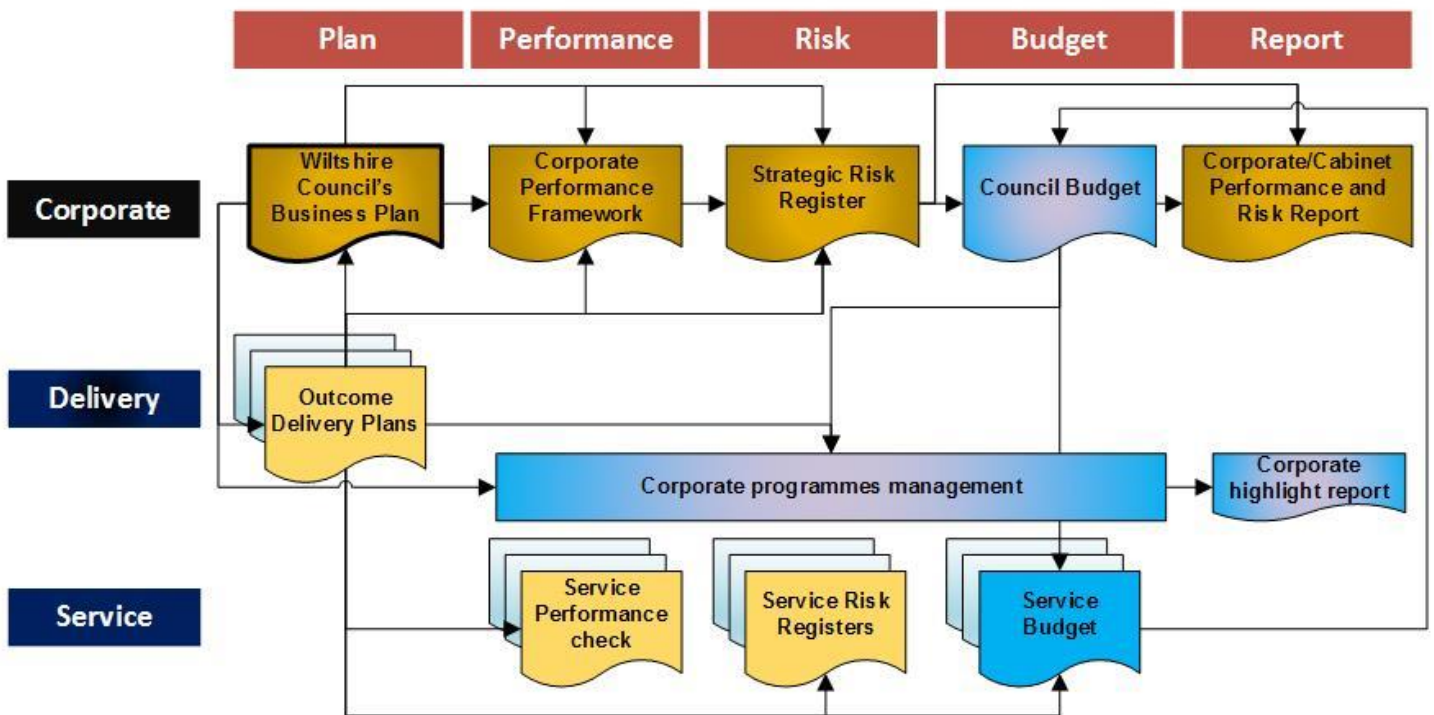
12. The policy will apply across the whole Council and all departments will be required to follow the guidance in terms of planning, performance management and risk management. This consistency of approach is essential to ensure that the Council is able to understand how well it is performing and to prioritise resources to make changes and improvement where they are most needed.

13. A Corporate Performance Framework has been created from service plans and links specific performance measures to business plan outcomes. This will continue to be updated from outcome plans.

14. A Strategic Risk Register has been created from risks identified through the business planning process, management overview and programme management. The strategic risk register is designed to provide an overview of the major risks to the Council as a whole. These are the risks that, if they became an issue, could prevent the Council realising its strategic ambitions. The register includes significant service risks and strategic composite risks (an overview of similar risks across different services).

Roles and Responsibilities

15. The Cabinet own the policy and reviews and amendments to the policy will be approved by Cabinet in the future.

16. The Council's Audit Committee will have an opportunity to comment on and review the process by which the policy is implemented in order to be assured that performance and risk management are carried out in a robust manner.

17. The Financial Planning Task Group (a task group of the Council's Overview and Scrutiny Management Committee) will review the reporting of performance and risk on a quarterly basis.

18. The Council's Corporate Leadership Team own the Corporate Performance Framework and the Strategic Risk Register.

19. The Cabinet member for Finance, Procurement, ICT and Operational Assets will have an input into the formation and changes to the Corporate Performance Framework and the Strategic Risk Register. Other Cabinet leads will have influence through the Outcome Scorecard process.

20. Individual services have responsibility for scoring risks and compiling performance measures that belong to them. Processes designed to ease these tasks have been implemented and the corporate team is available to support services where needed.

21. Services also have responsibility to identify new risks or performance measures that may be relevant.

22. The corporate risk and performance team is responsible for the collection, collation and reporting of corporate performance and strategic risk. The team will also be providing training and support for services and managers to help ensure a consistent approach to performance and risk management across the Council.

Reporting

23. Reporting of performance measures from the Corporate Performance Framework and risk scores from the Strategic Risk Register will happen at three distinct levels.

    a. Director – quarterly submissions of performance information and risks scores will be reviewed by directorate management teams and signed off by Directors. Score cards and risks registers for this purpose are provided by the corporate team.

    b. Outcome – a scorecard for each Outcome Delivery Plan will be compiled on a quarterly basis to included key measures and risks. Corporate Directors have the option to use these in meetings including key members of staff and key Councillors, specifically cabinet leads.

    c. Whole Council – the Cabinet will continue to receive a quarterly report which will summarise the Corporate Performance Framework with selected measures from the framework showing progress towards the Business Plan outcomes. The report will also include the Strategic risk register.

24. Formalising the assurance framework in the Performance and Risk policy and a change to the corporate budgeting timetable (moving the final budget setting earlier in the financial year) provides the opportunity to include financial reporting alongside performance and risk. This is a long-held aspiration.

<u>Risk Appetite</u>

25. A recommendation of the recent internal audit was to review the Council's risk appetite.

26. Risk appetite is the amount and type of risk that the Council is willing to take in order to achieve its strategic objectives.

27. The Council's risk appetite was last set in 2014 and at a single generic level across all risks. The new Corporate Performance and Risk Policy demands that the Council takes a more nuanced approach and sets an appetite for each of the major risk categories it employs.

28. Risks are scored by multiplying an impact score by a likelihood score. All risks thus have a score level between one and 16. Risk appetite is applied to the inherent risk score.

29. The risk appetite is shown as a score above which a risk is expected not to be tolerated by the Council. A higher risk appetite level means that the Council could be prepared to accept a greater risk in order to achieve its priorities. A lower risk appetite level means that the Council is less prepared to tolerate risk.

30. The Corporate Performance and Risk Team have reviewed recent risk scoring and the Corporate Leadership Team have agreed the following risk appetite.

Risk Category	Risk Appetite (Maximum Inherent Risk tolerated)	
Health and Safety	< 8	Less risk accepted
Legal	< 9	
Staffing/ People	< 9	
Financial	< 12	
Service delivery	< 12	
Reputation	< 16	More risk accepted

31. In the agreed appetite above the Council is suggesting that it is more willing to risk damage to its reputation that it is to see health and safety compromised in pursuit of its priorities.

32. In future risks that fall outside the Council's set appetite will be highlighted and reported. There will be an expectation that such risks will be treated (mitigated against), terminated or transferred rather than tolerated.

33. The Corporate Performance and Risk policy states that the Council's risk appetite will be reviewed by the Corporate Leadership Team. This review will occur once a year in the first quarter of the financial year.

Overview and Scrutiny Engagement

34. Feedback from the Financial Planning Task Group has influenced the development of practice and the approach taken in the draft policy.

Safeguarding Implications

35. There are no safeguarding implications of the decision being proposed.

Public Health Implications

36. There are no public health implications of the decision being proposed.

Procurement Implications

37. There are no procurement implications of the decision being proposed.

Equalities Impact of the Proposal

38. The Proposal does not impact on any group who share a protected characteristic more than the population as a whole.

Environmental and Climate Change Considerations

39. There are no environmental or climate change considerations.

Risks that may arise if the proposed decision and related work is not taken

40. There is a reputational and service delivery risk that if the new Corporate Performance and Risk Management policy is not approved Wiltshire Council will not be responding to the outcomes of the Corporate Peer review or of its own internal audit.

41. There is a service delivery risk that without formalising the current arrangements for performance and risk management across the Council the Council will be unable to ensure that it is managing its services, delivering against its strategic aims and prioritising its scarce resources as efficiently as possible.

42. There is a reputational risk that in not formalising a risk management process one or more improperly managed risks will become issues that do great damage to the Council's ability to deliver its strategic programme.

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

43. There is a service delivery risk that the potential for a Strategic Performance Hub, for which a business case is currently being prepared, can overtake and clash with the proposed policy. The Policy and approach have been designed in a way that they can be incorporated into a future Strategic Performance Hub should it be developed.

44. There is a service delivery risk that those with responsibility for managing performance and risk at a service level are unaware or not used to the prescribed approach. The likely outcome is that we would not achieve a standardised approach to performance and risk management across the Council. In order to prevent this the corporate Performance and Risk Management team will provide training and support to all services as required.

Financial Implications

45. Adoption of this policy provides the opportunity to link financial planning with business planning as well as linking financial reporting to performance reporting. This closer linking at a corporate level will enable the best information to be available to decision makers.

Legal Implications

46. Regular review of Performance and Risk Management Policy ensures a healthy corporate approach to management. The Development of this policy will assist in providing a consistent approach to business planning to be the link that connects performance, risk and financial management to the priorities in the council's business plan. Adherence to this policy can support the review that provides evidence for the completion of the annual governance statement.

47. Paragraph 3.1 of Part 3 section B provides that the Cabinet can Adopt on behalf of Wiltshire Council any plans, policies or strategies which do not form part of the policy framework and are not the responsibility of any other part of the local authority. This Policy meets this criteria.

48. It is recommended that regular (annual) review of this policy is undertaken to ensure that it remains fit for purpose. Annual Gove statement

Conclusions

49. Cabinet are asked to approve and adopt the new Performance and Risk Management Policy and agree the suggested risk appetite.

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Appendices

Appendix 1 – Performance and Risk Management Policy