AUDIT COMMITTEE   **AGENDA ITEM: 8**
23 SEPTEMBER 2014:

RISK AND OPPORTUNITY MANAGEMENT STRATEGY

Cabinet Member   Cllr Neal Davey
Responsible Officer   Head of Communities & Governance

Reason for Report: To present the Committee with the Risk and Opportunity Management Strategy for approval

RECOMMENDATION: The Committee approve the Risk and Opportunity Management Strategy (Appendix A)

Relationship to Corporate Plan: Having effective Risk and Opportunity Management arrangements in place is crucial for identifying risks and opportunities and mitigating the Council's risks and is a fundamental element of being a well-managed Council

Financial Implications: Failure to mitigate risks or take advantage of opportunities could result in financial loss to the Council.

Legal Implications: Failure to mitigate risks could result in a number of legal implications for the Council

Risk Assessment: Failure to take advantage of opportunities and mitigate business risks is a major risk to the Council and could impact on the Council's ability to deliver its strategic objectives.   Failure to regularly review and update the Risk and Opportunity Management Strategy could have an adverse impact on the Council's Annual Governance Statement

1.0   Introduction

1.1   The Risk Management Strategy was last updated and approved by the Audit Committee on 19th March 2013.

1.2   The purpose of this report is to update the Council's Risk Management Strategy (attached as Appendix A) following the work of the Scrutiny Committee Working Group on Performance Management (final report attached as Appendix B). The Strategy now covers Risk and Opportunity Management and has been updated to include:

- A section on the role of the Health & Safety Committee in section 3 – roles and responsibilities

- Removing the need to take the risk register to all PDGs – it will now only go to Cabinet, Scrutiny and Audit Committee on a quarterly basis. Where the PDGs are setting out policy or making changes risks and opportunities must be included in the papers going to the PDG

- A section on project risks has been included in section 4 – strategic, operational and project risks

- Section 5 the risk management process has been streamlined to make it a 4 step process rather than a 6 step process and more guidance has been added on the impact and likelihood classifications

- A section has been added on training and awareness

1.3 Risk Management forms an integral part of the Annual Governance Statement which is concerned with demonstrating that the Council has adequate and effective internal control arrangements in place for dealing with key business risks.

1.4 For ease of reference the changes to the document have been tracked.

2.0 Conclusion

2.1 Risk and Opportunity Management is not a separate initiative, but is the demonstration of good management practice. The Council has an obligation to provide assurance to Members and the Community that the principles of good governance, including Risk and Opportunity Management, are reflected in the activities of the Council. The Council also has a legal obligation to comply with the requirements placed upon it by the Accounts and Audit Regulations and the publication of an Annual Governance Statement.

2.2 Approval of the Risk and Opportunity Management Strategy (Appendix A) will assist with the Council embedding Risk and Opportunity Management and demonstrating good Governance principles.

Contact for more Information: Amy Tregellas, Head of Communities & Governance, ext 4246

Circulation of the Report: Cllr Neal Davey and Management Team

Risk & Opportunity Management Strategy

1.0 BACKGROUND

1.1 ~~1.1~~ This combined Risk and Opportunity Management Strategy details the Council's framework for managing business risk and opportunity. The Risk and Opportunity Management framework is the culture, processes and structures that are directed towards effective management of potential risks and opportunities that the council faces in delivering its objectives.

~~Mid Devon District Council has adopted the Audit Commission's definition of risk and risk management as contained in its Management Paper, 'Worth the risk: improving risk management in local government':~~

1.2 The definition or risk varies. ALARM (the Association of Local Authority Risk Managers) and the Audit Commission define Risk Management as follows

ALARM
"Risk Management is the culture, processes and structures that are directed towards effective management of potential opportunities and threats to the organisation achieving its objectives",

Audit Commission
"Risk Management is the process of identifying risks, evaluating their potential consequences and determining and implementing the most effective way of controlling and monitoring them. The objective of the process is to enable objectives to be achieved in the optimum way and to control negative factors or risks which could impact on an organisation's success"

1.3 Developing and improving public services in the current challenging climate requires opportunities to be taken whilst managing the risks involved. Therefore Mid Devon District Council's definition of Risk and Opportunity Management is:

"The planned and systematic approach to identify, evaluate and manage the risks to, and opportunities for, to achievement of objectives"

~~Risk is the threat that an event or action will adversely affect an organisation's ability to achieve its objectives and to successfully execute its strategies. Risk Management is the process by which risks are identified, evaluated and controlled. It is a key element of the framework of governance together with community focus, structures and processes, standards of conduct and service delivery arrangements.~~

~~1.2 The ISO 31000 (2009) Guide definition of risk is the 'effect of uncertainty on objectives'. In this definition, uncertainties include events (which may or not happen) and uncertainties caused by ambiguity or a lack of information. It also includes both negative and positive impacts on objectives.~~

1.~~3~~4 The overall process of managing risk and opportunity can be divided into:

- ~~Risk analysis, or assessment, which includes t~~The identification and analysis of risks and opportunities
  - ~~, estimations and evaluation of the risks and~~

Risk & Opportunity Management Strategy

☐ Risk and opportunity management, which encompasses the planning, controlling and monitoring and controlling activities based onof the information derived from the risk and opportunity analysis.

2.0 PURPOSE, AIMS AND OBJECTIVES

2.1 The purpose of the strategy is to embed risk and opportunity management in the Authority by establishing a risk management framework, which provides:

☐ An efficient control environment
☐ The overt allocation of accountability for risk and opportunity management throughout the organisation
☐ A culture where officers and Members are able to be more creative and innovative in taking opportunities that benefit the Council and the District provided that there is clear analysis of the risks and a robust justification for the decision
☐ A well establishedwell-established risk and opportunity assessment process which ensures that risks and opportunities are considered and managed as part of the decision making process
☐ Performance monitoring of risk and opportunity management activity
☐ Communications process to support risk and opportunity management
☐ A robust opinion for the Annual Governance Statement which comments of the adequacy of the Council's risk and opportunity management arrangements

2.2 The aim of the Mid Devon District Council Risk and Opportunity Management Strategy is to adopt best practices in the identification and ,evaluation of risks and opportunities and the cost-effective control of risks to ensure that they are reduced to an acceptable level.

2.3 It is acknowledged that some risks will always exist and will never be eliminated. All employees must understand the nature of risk and accept responsibility for risks associated with their area of authority. The necessary support, assistance and commitment of senior management will be provided.

2.4 The risk and opportunity management objectives of the Council are to:

☐ Embed risk and opportunity management into the culture of the Council
☐ Fully incorporate risk and opportunity management as an integral part of corporate planning, business planning, project management and performance management
☐ Manage risk and opportunity in accordance with best practice and in particular in accordance with the requirements of the Annual Governance Statement
☐ Consider legal compliance as a minimum
☐ Prevent injury and damage and reduce the cost of risk
☐ Raise awareness of the need for risk and opportunity management

2.5 These objectives will be achieved by:

☐ Establishing a clear risk and opportunity management process that is communicated to all officers and Members
☐ Clearly define roles and responsibilities for risk and opportunity management

Risk & Opportunity Management Strategy

- Developing an action plan for embedding risk and opportunity management with tasks and milestones for monitoring progress against targets
- Providing risk and opportunity management training to officers and members
- Completing corporate and operational risk and opportunity management workshops to identify risks
- Conducting risk and opportunity management workshops to identify the risks and opportunities of any major projects
- Maintaining and reviewing a register of corporate, and operational and project risks and opportunities and assigning ownership for each risk
- Ensuring that reports to the Cabinet, Scrutiny Committee, Audit Committee, Policy Development Groups and Regulatory Committees include a risk and opportunity assessment
- Identifying risks and opportunities in relation to working in partnerships
- Ensuring that the Cabinet, Audit Committee and, Scrutiny Committee and Policy Development Groups receive quarterly reports on the key business risks and opportunities and takes action to ensure that business risks and opportunities are being actively managed

2.6 The following sections consider how the Council will implement the above objectives.

3.0 ROLES AND RESPONSIBILITIES

3.1 The following groups and individuals have the following roles and responsibilities for risk and opportunity management within the Council.

3.2 The **Audit Committee** will approve this risk and opportunity management strategy and any subsequent revisions. They will also monitor the effective development and operation of risk and opportunity management within the Council by receiving quarterly progress reports on the Council's key business risks and opportunities, takes appropriate action to ensure that they are being actively managed and will consider the adequacy of the Council's risk and opportunity management arrangements as part of the Annual Governance Statement.

3.3 The **Management Team** is primarily responsible for setting the organisations risk appetite, identifying corporate strategic risks and opportunities, as well as being responsible for determining action on these risks and opportunities and delegating responsibility for the control of the risks and opportunities. The Management Team will also be responsible for monitoring the progress of managing risks and opportunities and will review quarterly reports to the Audit Committee, Cabinet and, Scrutiny Committee and the three Policy Development Groups.

3.4 The **Cabinet** will also monitor the effective development and operation of risk and opportunity management within the Council by receiving quarterly progress reports on the Council's key business risks and opportunities through the performance and risk report.

3.5 The **Scrutiny Committee** and **PDGs** will also receive quarterly progress reports on the risks and opportunities through the performance and risk report. Any concerns or issues will be reported to the Cabinet and/or Audit Committee.

Risk & Opportunity Management Strategy

3.6   The **Policy Development Groups (PDGs)** will receive updates on risks and opportunities relating to any policy development matters that they are working on and this is expected to be in the form of a risk and opportunity assessment as part of the working group papers or report to the Group.

3.76   The **Finance Cabinet Member** will:

- ❑ Communicate the importance of risk and opportunity management to other Members
- ❑ Support the implementation of the proposed annual work programme
- ❑ Act as a sounding board and provide a critical friend challenge to the risk and opportunity management process

3.87   **Heads of Service/Service Managers** will be responsible for:

- ❑ Leading the risk and opportunity management process within their services and ensuring that business plans include an annual assessment of key risks and opportunities
- ❑ Identifying and managing significant operational risks by carrying out risk assessments with their teams as and when this becomes appropriate i.e. if making a significant change to service or undertaking a project
- ❑ Developing actions to mitigate the risks identified, assigning responsibility for implementing controls and set realistic target dates for implementation
- ❑ Ensuring that all risks are put on the corporate risk register (SPAR)
- ❑ Regularly reviewing risks associated with their service area (via the corporate risk register on SPAR), ensuring that the agreed actions and deadlines have been met
- ❑ Ensureing that any briefing papers/ reports that they produce to make changes to their services will consider the associated risks and opportunities of any proposed course of action

3.98   The **Head of Communities and Governance** is responsible for providing assurance to the Council through monitoring the implementation and effectiveness of this risk and opportunity management strategy and for reviewing compliance with mitigating controls introduced by the Service Managers to manage risks. The Head of Communities and Governance will comment upon the effectiveness of the risk and opportunity management process in work undertaken to support the Annual Governance Statement. The Head of Communities and Governance will also chair the Council's Health & Safety Committee to ensure that any risks arising from the work of this group will be incorporated into the Corporate Risk Register.

3.10   The **Health and Safety Committee** is responsible for reviewing the measures taken to ensure the health and safety of all those who work in and visit the Council or may be affected by its activities - ensuring that people are not exposed to risks and that the risks are mitigated effectively. Where concerns are raised these will be escalated to the Management Team for action.

3.119   All **employees** need to have an awareness of risk and opportunity management and are responsible for ensuring that they manage risk effectively in their jobs and report hazards and risks to their Head of Service/Service Manager.

Risk & Opportunity Management Strategy

4.0   STRATEGIC, ~~AND~~ OPERATIONAL AND PROJECT RISKS

4.1   Broadly speaking risks can be divided into t~~wo~~three categories:

- **Strategic** – risks which need to be taken into account in judgements about the medium to long term goals and objectives of the Council whilst at the same time considering the opportunities; and

- **Operational** – risks and opportunities which managers will encounter in the daily course of their work.

- **Project** - risks and opportunities which will be encountered during specific tasks/projects being undertaken

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4.2   **Strategic Risks**

4.2.1   The management of strategic risks and opportunities is a core responsibility of the Management Team. Strategic risk and opportunity assessments should be factored in to corporate and service planning.

4.2.2   The major categories of strategic risk are:

- **Political** – associated with failure to deliver either local or central government policy. The Council could also potentially be at risk from the actions of other agencies, other Councils, partner organisations, etc.

- **Economic** – affecting the ability of the council to meet its financial commitments. These include internal budgetary pressures as well as external factors affecting the economy as a whole.

- **Social** – relating to the effects of changes in demographic, residential or socio-economic trends on the council's ability to deliver its objectives.

- **Technological** – associated with the capacity of the council to deal with the pace/scale of technological change, or its ability to use technology to address changing demands.

- **Data Protection/Information Security** – this includes the consequences of data/information transfer between the Council and other Bodies i.e. Government Connect, Partnership working, etc.

- **Legislative** – associated with current or potential changes in national or European Law (e.g. the appliance or non-appliance of TUPE Regulations).

- **Health and Safety** – This includes all aspects of Health & Safety as well as the Corporate Manslaughter legislation

- **Environmental** – relating to the environmental consequences of progressing the council's strategic objectives (e.g. in terms of climate change including energy efficiency, pollution, recycling, landfill requirements, emissions, etc).

- **Competitive** – affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver Value for Money.

□ **Customer/Citizen** – associated with failure to meet the current and changing needs and expectations of customers and citizens.

4.3 Operational Risks

4.3.1 Risks which managers and staff will encounter in the daily course of their work. These may be:

□ **Professional** – associated with the particular nature of each profession (e.g. housing service concerns as to the welfare of tenants).

□ **Financial** – associated with financial planning and control and the adequacy of insurance cover.

□ **Legal** – related to possible breaches of legislation.

□ **Personal Safety** – related to lone working and the potential to encounter aggressive or confrontational people whilst carrying out their duties.

□ **Physical** – related to fire, security, accident prevention and health and safety (e.g. hazards/risk associated with buildings, vehicles, plant and equipment, etc).

□ **Contractual** – associated with the failure of contractors to deliver services or products to the agreed cost and specification.

□ **Technological** – relating to reliance on operational equipment and the potential for technological failure (e.g. IT systems or equipment and machinery)

4.4 Project Risks

4.4.1 Risks which will be encountered during specific tasks/projects being undertaken. These may be:

□ **People** – associated with whether we have the right people with the right skills involved in the task/project. This also concerns getting buy in from staff at all levels of the organisation, Members and potentially external stakeholders

□ **Technical** – associated with the Councils reliance on the software provider to deliver what has been agreed in the contract and that they provide support for dealing with any systems problems or issues

□ **Cost** – associated with the potential for the project to go over budget if the people and technical matters are not delivered as per the Business Case and PID

□ **Time** – ensure that the right amount of time is allocated to the project as well as sufficient contingency as slippage can cause to project delay/failure and this can also have an impact on cost and quality

□ **Quality** – depending on what goes into the project will determine the quality of the output

Risk & Opportunity Management Strategy
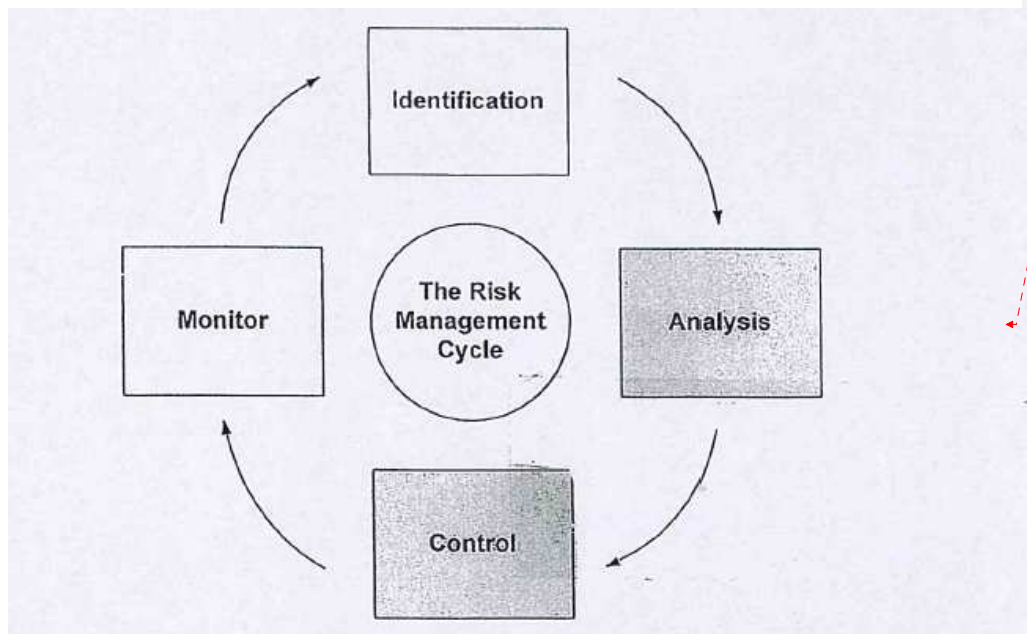
4.5 **Opportunities**

4.5.1 Opportunities are to be considered at the same time as the risks. Examples may include:

- Spend to save projects where the Council will benefit from reduced expenditure or increased income in the future
- Transformational change which will generate cost savings or an income stream
- Opportunities for great partnership working with our stakeholders or other local authorities
- Opportunities to streamline working processes
- Opportunities to boost the local economy
- Opportunities to deliver and improve housing within the District
- Opportunities to protect and enhance our environment
- Opportunities to make a difference to our communities and to empower them
- Delivery of the objectives in the Corporate Plan and Service Business Plans

4.6~~4~~ The categories are neither prescriptive nor exhaustive. However, they should provide a framework for identifying and categorising a broad range of risks and opportunities ~~facing~~for the Council as a whole, as well as service areas.

5.0 RISK MANAGEMENT PROCESS

5.1 The ~~six~~four-step process below will cover all areas of risk and opportunity management including making strategic decisions, managing strategic, operational and project risks and opportunities~~corporate risks, managing departmental risks, or managing project, team or operational risks~~.

The Risk Management Cycle: Identification → Analysis → Control → Monitor

Risk & Opportunity Management Strategy

Step 1 – Identifying Risks and Opportunities
All sources of risks and opportunity need to be identified. These should include both strategiccorporate, operational and project risks.

Step 2 – Analysing Risks and Opportunities
Once the risks and opportunities have been identified they then need to be analysed to consider the impact and likelihood or any risks occurring and the potential benefits of any opportunities.The likelihood of any risk arising needs to be assessed as well as the consequences or impact of the risk if it does arise.

Risk
Impact

The impact of the threat being realised is defined as:

	Score		Definition
Very Low	1	No impact	No notable impact identifiable
Low	2	Minor	Affects only one group of stakeholders, with minimum impact. Organisationally localised, with position recoverable within the financial period. No external interest
Medium	3	Significant	Affects more than one group of stakeholders, with widespread but short-term impact. May attract the short-term attention of legislative/regulatory bodies.
High	4	Major	Affects more than one group of stakeholders with widespread medium-term impact. Attracts the medium-term attention of legislative/regulatory bodies.
Very High	5	Catastrophic	Medium to long term impact on performance and delivery of services.

Risk & Opportunity Management Strategy

			Affects all groups of stakeholders, with a long-term impact. National impact with the rapid intervention of legislative/regulatory bodies.

Risk
Likelihood

The likelihood of the threat being realised is expressed on a scale of 1-5, using the definitions below:

	Score		Definition
Very Low	1	Rare	May occur in exceptional circumstances
Low	2	Possible	Risk may occur in the next 3 years
Medium	3	Likely	The risk is likely to occur more than once in the next 3 years
High	4	Almost certain	The risk is likely to occur this year
Very High	5	Certain	The risk has occurred and will continue to do so without action being taken

The assessment process uses a 5x5 scoring matrix (see below) where the scores of impact x likelihood equal the total risk score. Risks scoring between 15 and 25 would be classed as high risk (red) with 25 being the biggest risk. Risks scoring between 5 and 12 would be classed as medium risk (amber) and risks scoring between 1 and 4 would be low risk (green). Risks that score 15 or above (as well as those that score a 5 on impact irrespective of their overall score) will be classed as the Council's key business risks and will be reported to the Audit Committee, Cabinet and, Scrutiny Committee and PDGs on a quarterly basis.

Impact					
5	10	15	20	25
4	8	12	16	20
3	6	9	12	15
2	4	6	8	10
1	2	3	4	5

Likelihood

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Risk & Opportunity Management Strategy

~~Step 3 – Ranking and Prioritising Risk~~
Once analysed the risks need to be ranked and prioritised according to their likelihood and severity i.e. those scoring 25 will be at the top of the list and those scoring 1 will be at the bottom of the list.

The risks will then need to be considered in conjunction with any opportunities when making decisions.

Benefits of Opportunities

The assessment methods for determining the potential benefits of opportunities can include:

❑ Assessing the increased income/reduced expenditure from the innovation
❑ Quantifying the number of potential new customers
❑ Calculating the potential sales growth that could stem from capturing the opportunity
❑ Calculating the return on investment for a particular project and whether that is the level of return that the Council is looking for
❑ Considering the value added as a result of capitalising on the innovation e.g. the benefit to the community

Step 3 – Control the Risks
This involves taking action to minimise the likelihood of a risk occurring and/or reducing the severity of the consequences should the risk occur. Actions need to be allocated to responsible officers along with a realistic target date for implementation.

Determine the best course of action for the Council. There are 5 key action strategies to managing risk:

Strategy	Action
Prevention	Terminate the risk*
Reduction	Treat the risk
Transference	Pass risk to a third party e.g. Insurance
Acceptance	Tolerate the risk
Contingency	Action plan implemented

* This can include carrying on the activity but modified so that the risk ends, or stopping the activity to end the risk.

Step ~~6~~4 – Monitor and Report Progress
Progress in managing risks and opportunities should be monitored and reported so that losses are minimised and intended actions and opportunities are achieved. Risk and Opportunity Management is an on-going process that should be constantly revisited and reviewed to ensure that new and emerging risks and opportunities are picked up and acted upon.

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Risk & Opportunity Management Strategy

5.2   It is important to recognise these ~~seven~~four steps as part of a cycle. Risk and Opportunity Management is dynamic and so the identification phase needs to be done continuously. It is also important to consider whether the nature of the risk or opportunity has changed over time – thereby completing the cycle.

6.0   RISK AND OPPORTUNITY MANAGEMENT TRAINING AND AWARENESS

6.1   For the benefits of Risk and Opportunity Management to be realised, it is necessary for the process to be embedded in the culture and operations of the organisation.

6.2   Once the Strategy has been agreed all officers and Members will be required to read the policy and answer questions using the new Insight policy system.

6.3   The Head of Communities and Governance will regularly raise awareness of Risk and Opportunity Management through the Officer newsletter (the Link), the Member newsletter (WIS) and through briefing sessions.

6.4   The Head of Communities and Governance will be involved in the induction process for new officers and Member where a session on Risk and Opportunity Management will be included.

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Report of the Performance Management Working Group

Why we formed a working group

At the Scrutiny Committee meeting on the 21st October 2013 it was **RESOLVED** that a working group be established to review the current performance and risk reporting methods.

The discussion regarding the performance and risk reporting identified that the Committee felt that the current system of reporting on performance was too bureaucratic and complicated and included a lot of unnecessary indicators. Performance and Risk reports had been presented to every single Committee and this involves a great deal of repetition and lengthy reports which contain too many unhelpful and meaningless indicators.

It was felt that a thorough analysis needed to be conducted to ascertain the most useful way of reporting performance and risk.

The first meeting of the Working Group took place on 6th February 2014.

Who we were

- Cllr M R Lee – Chairman
- Cllr Mrs Jenny Roach
- Cllr M A Lucas (co-opted from the Managing the Environment PDG)
- Cllr R Evans (co-opted from the Audit Committee)

What was our objective?

The key aims and objectives were identified as follows:

- To review and streamline the performance indicators reported to Members for the 2014/15 financial year
- To revisit the whole performance framework in relation to who to report information to, how often, what the elected Members role was and whether there are adequate arrangements in place

Progress to date

The Working Group considered the list of performance indicators that were reported to Members in the 2013/14 financial year and reduced and streamlined the list.

The revised lists have been discussed at each of the Policy Development Group meetings and Cabinet for their comments on the dates as follows:

Managing the Environment PDG on 11th March 2014 where the minutes state:

"The Audit Team Leader explained that a Scrutiny Working Group had been put in place and had met to look at Performance Management. The working group had looked at which Performance Indicators were being reported to meetings and had requested that each PDG look at their own area, to identify which Indicators they wanted reported to the Group.

Discussion took place regarding:

There were Indicators within the scope of this PDG which were still reported nationally and these were:
- *Residual waste per household*
- *% of municipal waste sent to landfill*
- *Fly-tipping incidents*
- *CO2 reduction from local authority operations*

Air quality was monitored and reported annually. This was not shown as a Performance Indicator because although it was a statutory requirement to record air quality the Council could not influence the results. However, the Head of Environmental Services could provide a report to the Group. The results would be of particular interest for Crediton regarding the new road.

*It was **AGREED** that the Head of Environmental Services would report air quality results to the next meeting of this Group.*

The Performance Indicator for reducing waste to landfill by 9% was difficult to understand and would be better explained as a weight reduction per year rather than a percentage.

The percentage of waste collected per household was averaged by the number of properties, not actual weight per household.

*The Group felt that as part of the route optimisation project it would be useful to see information regarding mileage and carbon impact for waste vehicles to see if there was any reduction. It was **AGREED** that the Facilities and Corporate Buildings Manager would meet with the Waste and Transport Manager to ensure that this was included in the Energy Indicators.*
*It was **AGREED** that the Group be provided with Performance Indicators for:*
a) Residual waste per household
b) Percentage of municipal waste sent to landfill
c) Percentage of household waste reused, recycled and composted
c) Fly-tipping incidents reported
d) Missed Collections, by percentage and actual number
e) Energy indicators (annually)"

Decent and Affordable Homes PDG on the 18th March where the minutes state:

"The Audit Team Leader explained that a Scrutiny Working Group had been put in place and had met to look at Performance Management. The working group had looked at which Performance Indicators were being reported to meetings and had requested that each PDG look at their own area, to identify which Indicators they wanted reported to the Group.

*It was **AGREED** that the Policy Development Group continue to receive a report containing all of the Key Performance Indicators listed, but that the Cabinet receive the shorter list agreed by the Scrutiny Working Group".*

Community Well Being PDG on the 25th March where the minutes state:

"Discussion took place regarding:
The need for a performance report that was tailored to each individual PDG;

*It was **AGREED** that the following amendments be made to the performance targets for next year:*
i. Data to be provided showing the level of economic activity within each town rather than the annual footfall monitoring;
ii. 'Scores on the Doors' ought to be monitored under the heading of Environmental Health."

Cabinet on the 3rd April 2014 where it is minuted that:

"The Head of Communities and Governance highlighted the work of the Scrutiny Working Group which was looking at performance indicators; although the work of the group was not yet complete, the PDG's had received a copy of appendix 8 of the report and had been requested to identify those performance indicators that they wanted to keep and sift out those that were felt to be meaningless."

The Working Group were happy with the suggestion from the PDGs that their reports be tailored to meet their needs and that Cabinet have fewer key indicators reported to them.

The Working Group considered how the Council can best benchmark its performance with others and the Audit Team Leader reported to the working group that benchmarking data can be added to the Service Performance and Risk (SPAR) report where the information is available.

The Working Group has also considered the layout and visual appearance of the reports produced by the SPAR system and it was felt that it would be beneficial to remove the colour coding from the performance report to avoid problems with data visibility.

Interim recommendations

Due to the need to agree the Performance Indicator list as early as possible in the 2014/15 financial year an interim report was taken to the Scrutiny Committee on the 16th June 2014 where the committee noted the report which recommended:

Scrutiny Committee approve:

1. The revised performance indicators that will be reported to Members in the 2014/15 financial year (Appendix A)

2. That the performance indicators continue to be reported to the Policy Development Groups and Committees on a quarterly basis – as per the tailored lists set out in Appendix A.

3. That a new set of performance indicator targets be set after the election in May 2015 when the Corporate Plan is updated.

4. The inclusion of benchmarking information, where available, in the SPAR performance indicator report

5. That the performance indicator report be amended to remove the use of a colour key so that Members can clearly see the information and data in the report

The recommendations were agreed by the Scrutiny Committee and have since been implemented as part of the performance and risk reporting for 2014/15.

Follow on work on framework and policy

The Working Group has also considered the Risk Management Strategy and the Performance Management guidance for officers and elected Members as well as the performance framework going forward.

Risk Management

Members of the Working Group commented that they felt the current risk management reports are quite long and the description of the definition needs to be improved – we don't want too many risks going to the PDGs. Better that they have fewer risks and focus more on them.

The Working Group discussed the proposal from the Head of Communities and Governance to update the Risk Management Strategy to make it a Risk and Opportunity Management Strategy. The Working Group considered the current Risk Management Strategy and the following questions posed by the Head of Communities and Governance:

Do we focus on opportunities as well as risk?
Answer: Yes need to update the Risk Management Strategy to include opportunities as risks can also be positive and there is a feeling that currently risk is perceived as something negative. The Working Group liked the suggestions put forward by the Head of Communities and Governance for updating the Strategy and these will now

be incorporated into the document and it will go forward to Audit Committee on the 24th September for approval.

How should we report risk going forwards?
Answer: The Working Group agreed that risks should continue to be reported to Management Team, Audit Committee and the Cabinet on a quarterly basis as at present but that risks are only referred to the PDGs or Scrutiny if there is a problem that requires escalation. i.e. if risks are not being mitigated adequately.

The Working Group also felt that risks associated with new policies or items such as the move to a new depot should be reported to the Policy Development Groups as part of the decision-making process.

The Working Group also feel that it is important to highlight any risks created by budget cuts – i.e. if a service was proposed to be cut that the risks associated with this should be highlighted when looking at the budget.

Does there need to be greater emphasis on Health and Safety within the Risk Management Strategy?
Answer: Yes it does need to be included and it was agreed that the section on roles and responsibilities would be expanded to include this information.

What level should the Council's risk rating be set at to determine when a risk becomes a key risk?
Suggest that the current risk score of 16 or above be reported to Members as well as the risks that score a 5 in respect of impact.

Should the Risk Management Strategy include reference to project risks?
Answer: Yes - the Head of Communities and Governance will include a section on project risks under section 4 of the Strategy. Currently this refers to strategic and operational risks but will now be expanded to include project risks.

Can we improve the terminology used in the Risk Management Strategy?
The Head of Communities and Governance provided the group with definitions in respect of impact and likelihood from another Council which the Working Group liked and agreed should be included in the MDDC Strategy.

Does more need to be included in the Strategy regarding training and awareness?
Members of the Working Group felt that a section needed to be included on training and awareness and the Head of Communities and Governance is including this in the Strategy. This will cover induction training for officers and Members and ongoing awareness training.

Performance Management Guidance

The Working Group reviewed the Performance Management guidance which was produced in 2008-2009 and agreed that they liked the format of the document but that it needs to be updated to reflect current working practices.

The Working Group agreed that the Head of Communities and Governance would update the document and it will go forward to Audit Committee on the 24th September for approval.

Framework

The Working Group felt that there can be gaps in actions/recommendations that get agreed/reported to the PDGs and that Members feel they don't always follow up what they should be because something else takes priority examples include Economic Development Action Plan and other things such as play areas. The Working Group feel that recommendations from PDGs should be revisited in 6 months time.

Scrutiny or Audit could then follow it up if something should have been done and hasn't been. This needs to be followed up to ensure that actions from projects are picked up and implemented.

At the moment the Working Environment portfolio information does not go to any PDGs because the old well-managed Council Priority is no longer covered.

The Working Group agreed that it would be a good idea, when reviewing the Corporate Plan in 2015, to consider extending the remit of the PDGs as follows:

> Managing the Environment and Economy PDG
> Housing and Property PDG
> Community Well Being and Working Environment PDG

Final Recommendations

1. Review and update the Risk Management Strategy to include
    a. Opportunity Management
    b. A better definition of impact and likelihood scoring
    c. Clearer information as to which committees risk information will be taken to
    d. Health & Safety Committee information under the roles and responsibilities section of the Strategy
    e. Project risks under the strategic and operational risk section
    f. A section on risk management training and awareness
    g. Diagrams to make the Risk and Opportunity Management Strategy easier to understand

    And take the updated Strategy to the Audit Committee for approval on the 24th September.

2. Review and update the Performance Management Guidance and take to the Audit Committee on the 24th September

3. Ensure that any recommendations that come out of the PDGs are taken back to them 6 months after approval by Cabinet to check on progress.

4. When putting together the next Corporate Plan in 2015 consider reviewing the remit of the PDGs to ensure that all areas in the Corporate Plan are aligned to a PDG

Performance Management Working Group
August 2014