

<i>Reference number</i>	tbc
<i>Approved by</i>	Management Board
<i>Date approved</i>	
<i>Version</i>	1.0
<i>Last revised</i>	3 May 2016
<i>Review date</i>	May 2016
<i>Category</i>	Corporate Governance
<i>Owner</i>	Director, Economy, Communities & Corporate
<i>Target audience</i>	All staff producing policies and procedures

PERFORMANCE, RISK AND OPPORTUNITY MANAGEMENT FRAMEWORK

CONTENTS

	Page
Introduction	3
Purpose	3
Performance management	3
Risk and opportunity management	4
Business planning	6
Performance cycle	8
Performance monitoring and management	9
Roles and responsibilities	10
Non-negotiables	11
Financial management	12
Data quality	13
Appendix 1 – criteria for scoring risks/opportunities and the risk register template	14
Appendix 2 – Roles and responsibilities	19

Introduction

Performance management comprises the systems, processes and supporting arrangements in order to identify, assess, monitor, and respond to performance issues. It enables actions to be taken which will contribute to the achievement of the Council's aim – to improve Herefordshire for its residents and businesses.

Risk management is about the identification, analysis and control of the threats and opportunities that affect the fulfilment of the Council's strategic and operational objectives. The identification and management of risks is essential to the successful management of performance and the actual taking of risks and opportunities in some cases are critical for a council with an ambitious vision and a difficult financial terrain to negotiate. The Council's risk management arrangements are part and parcel of its approach to performance management more generally.

Purpose

Effective performance and risk management will help to:

- Ensure corporate objectives are prioritised and that resources are allocated effectively
- Improve services and outcomes for local people
- Motivate staff by ensuring that individuals are aware of their own targets and goals and how these contribute to achieving the council's vision
- Ensure that significant risks to the achievement of objectives are identified and managed
- Provide early warning of, and rectification of, poor performance
- Ensure the council and its partners achieve what we have set out to do
- Provide a strong evidence base for improved decision making and the efficient use of resources

Herefordshire Council aims to operate a performance and risk management system where everyone knows what needs to be achieved, what is required of them and when, what is measured and managed, and what progress is being made.

The council's resources must be aligned, focusing effort in the right places and delivering maximum value for the people of Herefordshire. The council must proactively manage any risk that might affect delivery, regularly reviewing progress and taking action to stay on target.

Our performance, risk and opportunity management process

Performance management

The principles of the framework are that it:

- Establishes an overall corporate planning and performance and improvement cycle, supported by annually updated service planning guidance
- Links the ambitions set out in the higher level plans (the Council's Corporate Plan and Corporate Delivery Plan) and the service objectives and actions to deliver those ambitions set out in service plans, incorporating financial and workforce planning
- Establishes clear links between corporate and service objectives and the work of individual employees through their Personal Performance Development Plans (PPdPs)
- Holds Cabinet members, Directors, Assistant Directors, Heads of Service, and service managers to account for the performance of services within their directorates, departments and teams

- Ensures that the performance of services compared to targets and milestones is reviewed through regular performance reporting to Cabinet members and scrutiny committees, Management Board and directorate management teams
- Requires the development and maintenance of improved systems to ensure accurate, valid, reliable, timely and secure data and intelligence
- Ensures that corporate performance information is published on a dedicated page of the council's website
- Integrates risk management into corporate, workforce and service planning in the identification and development of all projects and measures, and performance monitoring and management through consideration at the Directorate Challenge sessions and Corporate budget and performance reports to regular directorate and service meetings
- Ensures that a commitment to improvement lies at the heart of all we do by using self-assessment techniques and the outcomes of external inspections, together with the use of comparator and benchmarking data to improve our performance

Risk and opportunity management

The intended outcomes resulting from the implementation of this framework are to enable the council to:

- Comply with government and statutory instruments relating to risk management
- Have a strategic approach to risk management which is supported by councillors, management and staff
- Have a clear risk management process and standards that managers support and understand
- Drive down insurance claims and realise savings on policy excess payments, whilst ensuring that our major projects are sufficiently covered
- Formally use the risk management process for all key decisions
- Integrate risk management into normal business practices
- Have the ability to demonstrate that risk management is embedded in business processes, including strategic planning, financial planning, policy making and review, performance and project management

Each service has its own operational risk register, which is reviewed and updated monthly prior to being endorsed by the assistant director. Directorates may also maintain a directorate risk register, which should be endorsed by the director.

Management Board are responsible for the corporate risk register, which contains strategic risks and operational risks that cannot be managed within the directorate/service. The corporate risk register is reviewed monthly by Management Board; quarterly by Cabinet as part of the corporate budget and performance report; and separately by the Audit and Governance Committee. Through this process, members and the public are able to identify risks that may not be on the register, but they consider should be, and discuss them with the relevant director or assistant director.

Strategic (corporate) risks are those that impact on the achievement of the council's aims and objectives. These risks generally affect the medium to long-term goals and link to the strategic objectives and the council's priorities.

Operational risks are those that particularly affect a service or area. The impact or likelihood of an operational risk may place it above the risk tolerance so that it also appears in the corporate risk

register. They tend to be more immediate in their impact and more susceptible to treatment in shorter time frames. They will usually link to service level objectives and plans.

Risks/opportunities are scored against the matrix set out below; the criteria for scoring risks and the risk register template are attached in appendix 1.

	Consequence				
Likelihood	1 Insignificant Impact/Benefit	2 Minor Impact/Benefit	3 Moderate Impact/Benefit	4 Major Impact/Benefit	5 Significant Impact/Benefit
5 Certain	5	10	15	20	25
4 Likely	4	8	12	16	20
3 Possible	3	6	9	12	15
2 Unlikely	2	4	6	8	10
1 Rare	1	2	3	4	5

Business planning

An essential foundation of effective performance management is business planning, the purpose of which is to translate high-level objectives into management action and linked performance measures. The steps of the business planning process at Herefordshire Council are:

Business planning template



This process needs to be undertaken at all levels of the organisation, producing a hierarchy of plans that all feed upwards, aligning towards the council achieving its objectives.



In more detail, the plans shown above comprise:

- Herefordshire Council Corporate Plan sets out our priorities and objectives, taking into account the outcomes and recommendations of external assessments, our own data on partner and customer views and needs, appreciation of our statutory duties, financial, performance and value for money data, benchmarking against others, and a forward looking analysis of future challenges/risks. The Corporate Plan sets out the context for the preparation of the council's directorate and service plans.
- The Delivery Plan sets out in more detail what the Council is going to do in the coming year to achieve the priorities, objectives and targets in the Corporate Plan (linking to the council's overarching priorities and corporate risks).
- Service plans translate the corporate plan and delivery plan into the actions, risks and measures for each service, including "business as usual" activities.
- Team plans further break down service plans into the actions relevant for individual teams.

- Individual PPdPs enable staff to develop an understanding of how they are contributing to achieving the council's priorities, by linking into the objectives identified in team and service plans. They are conducted annually and reviewed every 3 months.

Performance cycle

Our business planning takes place on an annual cycle, but in order to respond effectively to the ever changing environment in which we deliver services to our customers, planning and reviewing is an iterative process that also takes place on a quarterly and monthly basis too, as can be seen in the diagram below:

Performance cycle:



Performance monitoring and management

The monthly review process is achieved via monthly performance reporting (see diagram below) with the review and revise elements facilitated via monthly performance meetings at service and directorate level where performance reports are reviewed and discussed:

Monthly performance review process



Performance is monitored and managed at a level, and in a manner, appropriate to the individual committee, board, team or manager.

Quarterly budget and performance reports are the principal means of reporting strategically to Cabinet and Management Board. Regular directorate challenge sessions are held with the Chief Executive and relevant members, where directorates present and are challenged on their performance.

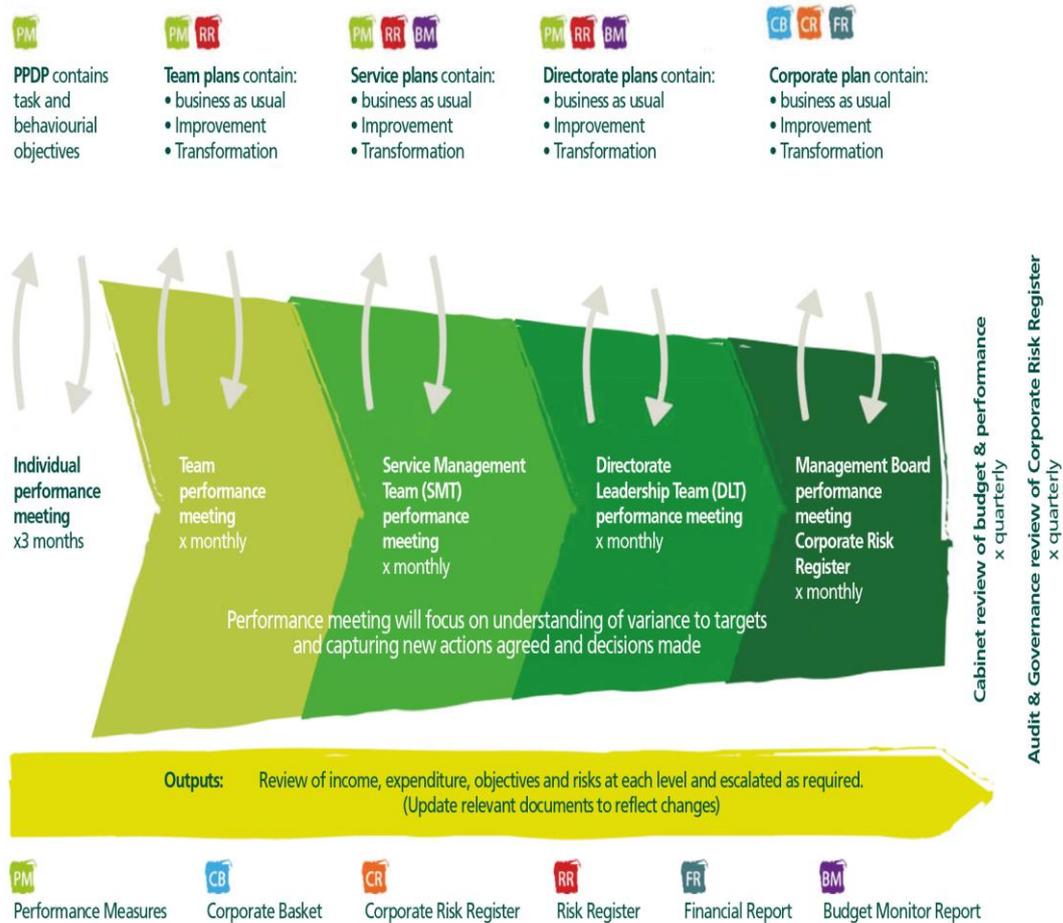
Cabinet determines whether any matters in the quarterly budget and performance reports should be referred to individual scrutiny committees for their consideration.

Audit and Governance Committee will monitor the effectiveness of the framework in managing risk and the performance of internal audit against its annual plan.

Roles and responsibilities

Both business planning and regular review and revision need to take place at all levels of the organisation – the different roles and responsibilities expected from these different levels are set out below:

Roles and responsibilities



The roles and responsibilities are covered in more detail in Appendix 2.

Non-negotiables

In order for these elements of the process to work effectively, ten “non-negotiables” have been identified – these are particularly crucial principles that everyone involved is expected to adhere to:



Our 10 non-negotiables

There are a number of key principles to delivery effective performance, financial and risk management of our people and assets:

1. We start with the context of where the council is going and support it with clearly identified needs which demonstrate why we are providing the services we provide.
2. A vision is a simple, understandable description of the future – it should provide movement and direction for shaping the culture, processes and structure of the organisation.
3. All objectives are SMART (specific, measurable, achievable, realistic, timely) and stretching. We have linked objectives through directorate, service and team through to PPdP objectives which identify clear ownership and accountability of each item.
4. The objectives reflect agreed budgets which are profiled across the year, and establishments which agree with the information held by finance.
5. We have up to date risk registers which detail the significant risks to the achievement of our objectives.
6. We have plans in place to cover all significant operating entities, projects, programmes and partnerships.
7. We have robust systems and processes in place to monitor and report performance against plans, and risks and we share this corporately.

8. Benchmarking should be used throughout the business planning cycle:
 - Need** – identify areas that are weaker than others.
 - Objectives** – targets based on “what good looks like.”
 - Plans** – identifying best practice.
 - Review** – comparing performance to others and national trend.
9. Periodically adjust plans for any emerging issue, significant actions agreed during reviews of performance, and results of benchmarking – plans should be living documents.
10. Managers at all levels recognise that the effective management of people, finance and risk is critical to effective performance management and is their responsibility.

Financial management

A crucial thread in the cycle is financial management – planning how to allocate resources, understanding what you can afford to do, managing to your budget and managing your cost and income risks:

Financial management



1 Your accountant is there to help you manage your budget, provide financial advice and find solutions. Get to know them and talk to them before starting any major projects or spend.



2 Finance only exists to help deliver services and safeguard the resources of the council. Part of this reflects the statutory nature of the finance role, so sometimes you will be challenged on your spend and approach.



3 Own your budget. Understand your budget. Have a robust performance systems and processes, with targets and benchmarking.



4 Don't commit unless you have the funding. Spend within your budget.



5 Be aware of and manage your risks.



6 Comply with financial regulations/ procurement rules



7 Remember confidentially of financial information, especially staffing.



8 Know your cost drivers, so you understand what you have to influence to manage your budget.

Data quality

As is evident, every stage of the performance and risk management process relies on evidence to allow the organisation to make judgements on what the council's needs are, what our customers' needs are, what we have achieved and how we compare. It is therefore vital that all this information is founded on high quality, reliable and timely data, otherwise the judgements that are based upon it are likely to be unsound, potentially rendering the whole process ineffective.

In general terms, every officer that records data in a council system needs to be aware that they are responsible for, and have an impact upon, data quality. For performance indicator reporting, there is an additional responsibility on those who calculate indicators (and their managers) to ensure that definitions are applied correctly and consistently and that calculations are properly verified. Sport-checks on performance indicators (especially statutory measures and government

returns) will be undertaken to ensure quality is being maintained, and directorate performance leads will offer advice/assistance where necessary.

Performance and risk management

The success of this framework will be measured by the achievement of these key objectives:

- The council's direction and approach to performance and risk management will be clear and understood by everyone;
- Required performance and risk management processes will be embedded at all levels of the organisation;
- Performance and risk information will be clear and visible and effectively used for performance; and
- Herefordshire Council will have a performance culture and effectively utilise resources.

Description and definitions of the LIKELIHOOD of the RISK/OPPORTUNITY occurring

Likelihood score	1	2	3	4	5
	Rare	Unlikely	Possible	Likely	Almost certain
Risk	May only occur in exceptional circumstances	Is unlikely to occur, but could occur at some time	Fairly likely to occur at some time, or in some circumstances	Will probably occur at some time, or in most circumstances	Is expected to occur in most circumstances
Opportunity	Opportunity may be realised in exceptional circumstances.	Opportunity may be realised within the next three to five financial years.	Opportunity may be realised within the next three financial years.	Opportunity is likely to be realised and will continue to be exploited.	Opportunity has been realised and will continue to be exploited.

Description and definitions of the IMPACT of the RISK should it occur

	1	2	3	4	5
Domains	Insignificant	Minor	Moderate	Major	Significant
Impact on the safety of staff or public (physical/psychological harm)	Minimal injury requiring no/minimal intervention or treatment No time off work	Minor injury or illness, requiring minor intervention Requiring time off work for >3 days Increase in length of hospital stay by 1-3 days	Moderate injury requiring professional intervention Requiring time off work for 4-14 days Increase in length of hospital stay by 4-15 days RIDDOR/agency reportable incident An event which impacts on a small number of patients	Major injury leading to long-term incapacity/disability Requiring time off work for >14 days Increase in length of hospital stay by >15 days Mismanagement of patient care with long-term effects	Incident leading to death Multiple permanent injuries or irreversible health effects An event which impacts on a large number of patients

	1	2	3	4	5
Domains	Insignificant	Minor	Moderate	Major	Significant
Quality, complaints and audit	Informal complaint/inquiry	Formal complaint (stage 1) Local resolution Single failure to meet internal standards Reduced performance rating if unresolved	Treatment or service has significantly reduced effectiveness Formal complaint (stage 2) complaint Local resolution (with potential to go to independent review) Repeated failure to meet internal standards	Non-compliance with national standards with significant risk to patients if unresolved Multiple complaints/independent review Low performance rating Critical report	Totally unacceptable level or quality of treatment/service Inquest/ombudsman inquiry Gross failure to meet national standards
Human resources, organisational development, staffing, competence	Short-term low staffing level that temporarily reduces service quality (< 1 day)	Low staffing level that reduces the service quality	Late delivery of key objective/service due to lack of staff Unsafe staffing level or competence (>1 day) Low staff morale Poor staff attendance for mandatory/key training	Uncertain delivery of key objective/service due to lack of staff Unsafe staffing level or competence (>5 days) Loss of key staff Very low staff morale No staff attending mandatory/key training	Non-delivery of key objective/service due to lack of staff Ongoing unsafe staffing levels or competence Loss of several key staff No staff attending mandatory training/key training on an ongoing basis
Statutory duty and inspections	No or minimal impact or breach of guidance/statutory duty	Breach of statutory legislation Reduced performance rating if unresolved	Single breach in statutory duty Challenging external recommendations/improvement notice	Enforcement action Multiple breaches in statutory duty Improvement notices Low performance rating Critical report	Multiple breaches in statutory duty Prosecution Complete systems change required Zero performance rating Severely critical report

	1	2	3	4	5
Domains	Insignificant	Minor	Moderate	Major	Significant
Adverse publicity/reputation	Rumours Potential for public concern	Local media coverage – short-term reduction in public confidence Elements of public expectation not being met	Local media coverage – long-term reduction in public confidence	National media coverage with <3 days service well below reasonable public expectation	National media coverage with >3 days service well below reasonable public expectation. MP concerned (questions in the House) Total loss of public confidence
Business objectives/projects	Insignificant cost increase/schedule slippage	<5 per cent over project budget Schedule slippage	5–10 per cent over project budget Schedule slippage	Non-compliance with national 10–25 per cent over project budget Schedule slippage Key objectives not met	Incident leading >25 per cent over project budget Schedule slippage Key objectives not met
Finance including claims	Small loss Risk of claim remote	Loss of 0.1–0.25 per cent of budget Claim less than £10,000	Loss of 0.25–0.5 per cent of budget Claim(s) between £10,000 and £100,000	Uncertain delivery of key objective/Loss of 0.5–1.0 per cent of budget Claim(s) between £100,000 and £1 million Purchasers failing to pay on time	Non-delivery of key objective/Loss of >1 per cent of budget Failure to meet specification/slippage Loss of contract/payment by results Claim(s) >£1 million
Service/business interruption Environmental impact	Loss/interruption of >1 hour Minimal or no impact on the environment	Loss/interruption of >8 hours Minor impact on environment	Loss/interruption of >1 day Moderate impact on environment	Loss/interruption of >1 week Major impact on environment	Permanent loss of service or facility Catastrophic impact on environment

Description and definitions of the IMPACT of the OPPORTUNITY should it occur

	1	2	3	4	5
Domains	Insignificant	Minor	Moderate	Major	Significant
Service delivery	No improvement to internal business. No change to delivery of customer services. No additional partnership initiatives identified.	Some slight improvement on internal business – little effect on customer service. No change in service delivery. Local partnership initiatives identified.	Slight improvement to customer service.	Customers would see an improvement in service delivery, quality, level and cost. Regional partnership initiatives identified.	Customers would see significant and noticeable improvements in service delivery. National or international partnership initiatives identified.
Financial	Income generation and/or savings up to £5,000.	Income generation and/or savings >£5,000 - <£25,000.	High income generation and/or savings >£25,000 - <£100,000.	Major income generation and/or savings >£100,000 - <£1,000,000.	Income generation and/or savings >£1,000,000
Environment	No, or insignificant, environmental improvement	Minor improvement to the local environment.	Moderate improvement to the local environment.	Major improvement to the local environment.	Significant improvement to national and/or international environment.
Reputation	Would not have any impact on the Council's reputation.	Positive local media coverage.	Positive media coverage in the national tabloid press, municipal journals and/or significant local media coverage.	Coverage in national (broadsheet) press and/or low national TV reporting.	Extensive positive coverage in the national press and broadsheet editorial and/or a national TV item.

Appendix 2

Roles and Responsibilities for managing Performance, Opportunity and Risk

This Appendix describes the roles and responsibilities that councillors and officers play in introducing, embedding, owning and managing performance and risk:

The Corporate Body

- Everybody to promote performance management positively
- Endorse a constructive culture throughout the organisation
- Communicate and make it real

Members in General

- Provide clear vision
- Seek to fully engage in performance Mgmt and improvement
- Seek accountability and value for money
- Focus on performance
- Recognise achievement
- Represent their constituents in holding officers to account

Cabinet Members

- Champion performance management and improvement
- Provide constructive criticism
- Work corporately to address areas of poor performance and celebrate success
- Present performance information for their portfolio at full Council

Scrutiny Members / Audit and Governance

- Help improve the Executive function by using performance information to test recommendations and challenge decisions
- Be constructive
- Use performance information in policy development

Audit and Governance

- Monitor the effectiveness of the performance, risk and opportunity management framework
- Monitor the performance of internal audit against its annual plan

Management Board

- Provide strategic advice and guidance
- Provide service leadership and a performance focus
- Demonstrate the use of performance information in decision making
- Reward high performance and challenge under-performance
- Be accountable for creating a culture that promotes performance and improvement.

Heads of Service and Service Managers

- Address local performance issues
- Help teams understand their contribution to corporate priorities

All Staff

- Share Priorities
- Embrace Values
- Work within the Corporate Performance Management framework and procedures
- Actively seek improvement

Document Classification

<i>Author Name and Role</i>	
<i>Date Created</i>	
<i>Date Issued</i>	
<i>Description</i>	
<i>File Name</i>	
<i>Format</i>	Microsoft Word/2010
<i>Geographic Coverage</i>	Herefordshire
<i>Master Location</i>	
<i>Publisher</i>	Herefordshire Council
<i>Rights Copyright</i>	Copyright of Herefordshire Council
<i>Security Classification</i>	
<i>Status</i>	
<i>Subject</i>	
<i>Title</i>	

Consultation Log

<i>Date sent for consultation</i>	
<i>Consultees</i>	

Approval Log

		Date
<i>Impact assessment by</i>		
<i>To be agreed by</i>		
<i>To be approved by</i>		
<i>Finally to be ratified by</i>		
<i>To be reviewed by:</i>		

Version Log

<i>Version</i>	<i>Status</i>	<i>Date</i>	<i>Description of Change</i>	<i>Reason For Change</i>	<i>Pages affected</i>
0.01	Draft		Creation of document		