

Item 7

REPORT TO THE AUDIT COMMITTEE

29TH JANUARY 2007

REPORT OF DIRECTOR OF RESOURCES

Portfolio: STRATEGIC LEADERSHIP

Subject: RISK MANAGEMENT PROGRESS REPORT – 2006

1. SUMMARY

- 1.1 Effective risk management is now widely acknowledged to be an essential element of quality corporate governance, and ideally should be an integral part of an organisation's processes and culture.
- 1.2 The Council has developed a Risk Management Strategy and the Strategic Leadership Working Group has a Risk Management Officer Working Group reporting to it.
- 1.3 Members are aware that the requirements of the Comprehensive Performance Assessment (CPA) and the Statement of Internal Control (SIC) necessitate a strong risk management culture.
- 1.4 This report provides an update to members on the progress made in developing risk management within the Council since the previous report to Overview and Scrutiny Committee 1 in August 2005.

2. RECOMMENDATION

- 2.1 That the content of the report is noted.
- 2.2 That the Audit Committee considers the effectiveness of the Council's risk management arrangements.
- 2.3 That the Audit Committee informs Cabinet of its findings .
- 2.4 That an annual review of the Risk Management arrangements be undertaken by the Audit Committee.

3. RECOMMENDED RISK MANAGEMENT GOOD PRACTICE

- 3.1 In a joint report of CIPFA/SOLACE titled 'Corporate Governance in Local Government – A Keystone for Community Governance', risk management and internal control were specifically referred to as one of the major dimensions of effective governance. It stated that every organisation needs to:-
 - *Develop and maintain robust systems for identifying and evaluating all significant risks which affect the planning and delivery of services.*
 - *Put in place effective risk management systems, including systems of internal control and an internal audit function.*

- *Ensure that services are delivered by trained and experienced people.*
- *Have effective arrangements for an objective review of risk management and internal control, including internal audit.*
- *Maintain an objective and professional relationship with external auditors and inspectors.*
- *Publish a relevant annual report on risk management and internal control mechanisms and their effectiveness.*

3.2 A number of these good practices have been well established within the Council for many years. However, the continuing development of risk management is essential to achieving a strong governance position.

4. RISK MANAGEMENT GROUP ACTIVITIES

4.1 The Risk Management Group was re-established in 2004 as an officer group reporting to the Strategic Leadership Group. Representatives from all departments meet on a two monthly cycle and address a wide range of risk management, including health and safety issues, a selection of which is shown below.

- 4.2 Minutes from Departmental Safety Groups
 Insurance Statistics
 Electronic Risk Register
 Generic Risk Profiles
 Risk Prioritisation Matrix
 Hand/Arm Vibration (HAV)
 Stress Management
 Lone Working Arrangements
 Work at Height Regulations
 Control Asbestos Regulations
 Legislative Changes
 Updates from the Council's Insurers
 Emergency Planning
 Business Continuity Planning
 Pandemic Flu Planning

Further details on the more significant areas are given in 5 below.

4.3 Important corporate risk areas forming essential elements of CPA Use of Resources Assessments and the Statement of Internal Control (SIC) have also been discussed by the Group, with dissemination of the important areas being helped by the Group members. Further information on CPA and SIC is shown at 5.8 below.

5. RISK MANAGEMENT ACTIVITY PROGRESS

5.1 *Departmental Safety Groups*

Important work relating to specific operational risks is now being undertaken by Safety Groups established within Housing Services, Leisure Department, Neighbourhood Services and Chief Executive's Department.

Housing Safety Group

The Housing Safety Group has recently considered issues such as the Construction Skills Certification Scheme (CSCS) training programme.

This training programme is part of a national scheme to improve competence and skills in the construction industry, the training is to be offered to all Housing personnel.

The benefits of the scheme to the Council are:

- Improved health and safety awareness for all staff;
- Increased individual personal responsibilities for health and safety;
- Creation of a better health and safety culture;
- Potential sickness reduction;
- Value For Money (VFM), measurable improvements, through a competent workforce.

Leisure Safety Group

The Leisure Safety Group have covered issues such as poolside slip tests, use of defibrillators, working at height, new fire regulations, private partners public insurance liability, Councils safety policy for the supervision of swimming pools.

Neighbourhood Services Safety Group

Neighbourhood Services Safety Group have covered issues such as Workplace Transport policy and guidance documents, Reversing vehicles system of operation, Hand Arm Vibration and employees exposure to vibratory equipment, Department Induction Process, First Aid coverage

Chief Executive Training Safety Group

The Council's Training Safety group have conducted regular Safety Group meetings, they discussed such issues as improving learner health and safety awareness.

The group set up learner health and safety forums whose membership includes, construction apprentices, E2E learners, manufacturing/engineering apprentices and young people on school projects.

The forums minutes and recommendations are discussed on the agenda of the main committee, this action is helping to raise health and safety awareness at all levels.

5.2 *Durham Chief Financial Officers' Risk Management & Insurance Sub-Group*

This Group, with representation from all Durham Districts and the County Council, meets periodically to exchange views on a wide-range of risk matters affecting all authorities. Recent items included benchmarking, health and safety statistics, strategic risk, business continuity, internal control arrangements, insurance renewals, freedom of information and risk management staffing arrangements. The experiences and views of members of the Group are helpful in considering future developmental activity, as well as exchanging historic experiences with a view to minimising risk.

5.3 Insurances

Information related to insurance claims made against the Council by third parties as well as employees who allege that they have suffered injuries as a result of the negligence of the Council, is regularly prepared and considered. The identification of changing trends in the claims history is important in order to address emerging or deteriorating control issues. Ultimately a pro-active and responsive approach to identified risks will ensure that insurance premiums payable to Zurich Municipal and the drain on internal funds as a result of policy excesses are kept to a minimum level. Current policy premiums amount to £390,000, with varying policy excesses, up to £67,000 per incident in respect of Public and Employer's Liability Claims.

5.4 Corporate Electronic Risk Register

The initial Corporate Risk Register was originally commissioned by the Council from Marsh Consulting Ltd. in 2003. Last year an electronic Risk Register was procured from RSL, a company specialising in risk management software, which replaced the original Register. The new electronic Risk Register was installed in all departments and each department was asked to input its main operational and strategic risks, along with detailed action plans to deal with all high risk areas. This would then create an electronic record of the Council's corporate risks and allow the Risk Management Working Group to monitor the risks identified and the action plans developed. The development of the Risk Register is an on-going exercise, with some departments having made better progress than others in identifying and registering their risks. Management Team recently approved a report from the Audit Manager that asked for all Chief Officers and Heads of Service to identify their departments' top ten strategic risks for entry into the Register. The successful development of an electronic Risk Register is seen as best practise for effective risk management, and is an important aspect of good corporate governance. The Council must therefore continue to make good progress in this area.

The inaugural meeting of an RSL Risk Register User Group, which this Council will attend, was held on 25th January 2007. This Group will help to develop expertise and identify best practise in a number of areas.

5.5 Generic Risk Profiles

The Risk Management Group agreed the procurement of a set of standard Risk Profiles during 2003/04, which were developed by a consortium of local authorities and outside consultants, and presented in CD Rom form. The profiles for a wide range of services were made available to officers around the Council and were seen as a convenient and relevant approach to enhancing risk awareness and an aid to embedding risk management throughout the Council. The profiles attempt to identify for each service the risks faced, the controls in place to minimise the risk, and a series of management actions to confirm that controls are operating effectively.

Managers, supervisors and their staff have been encouraged to review the profiles relevant to their services in order to identify any risk issues. The Internal Audit Section has also reviewed a number of risk profiles as part of the annual audit of the Council's major financial systems.

Any risk issues identified as part of the review process have been incorporated into audit recommendations, for which action plans have been developed. Some of the risks identified have been entered in the Risk Register.

5.6 Risk Prioritisation Matrix (RPM)

Following the introduction of RPM principles, the Risk management Group continue to support the assessment and mitigation of risks using this technique. The process involves scoring identified risks based on likelihood of occurrence and severity of impact. The Risk Management Group have endorsed its application to all capital programme projects, any proposals involving sums in excess of £50,000, and any major service delivery change proposals.

Whilst the technique has been successfully applied to a number of projects / activities to date, there are numerous areas where progress has been limited. The Risk management group continues to promote this valuable aid to the identification and mitigation of risk and the Group is currently giving consideration to each department's progress, with a view to making further recommendations on use of the Risk Matrix.

5.7 Health and Safety

5.7.1 General

Since the previous report to Overview and Scrutiny Committee the Health and Safety Team within the Organisational Development Section has continued to develop comprehensive health and safety arrangements within the Council.

5.7.2 Occupational Management Procedure Register

An Occupational Management Procedure Register (OMPR) displaying all policies, procedures and risk assessments relating to the work of the authority has been developed. Information from all departments have been collated and brought within the register.

The Information Technology (IT) section are currently working with the Health and Safety Team to make the register available on the Councils Intranet, the information contained within the register will be available in January 2007.

5.7.3 Occupational Health and Safety Communication Framework

To communicate the message relating to health and safety effectively, the authority has developed a clear transparent open two-way communication system, as part of its draft consultation exercise, between the management structure and all of its employees.

This allows open input into developing and formalising future occupational management system documentation by all interested parties.

The existing framework has been further strengthened by a more robust reporting system, which has seen the continuing development and improvement of the departmental safety groups.

The Leisure, Housing, Neighbourhood Services and Chief executive's Departments all have Safety Groups meeting on a regular basis, each department safety group considers the accident statistical analysis relating to their department employees for trend patterns, suitable preventative control measures are then introduced to prevent/minimise future accidents.

5.7.4 Stress Management Policy

A Stress Management Policy and related guidance documents have been developed, the aim, to establish standards and safe systems of work to recognise the Councils commitment to protecting health, safety and welfare of employees in relation to work place stress.

It acknowledges the importance of reducing and identifying workplace stresses at the earliest possible stage as part of the Councils Primary Intervention programme, and introduces management standards to address risk factors and key aspects of workplace stress.

Information is now available on the Council's Intranet to provide guidance and enable all employees to assess whether they are subjected to stress

Managers are currently undertaking training in the Role of the Manager In Dealing With Stress, this training will enable the managers to carry out stress risk assessments and primary interventions, early indications on feedback from attendees on this course are positive.

5.7.5 Lone Workers

Lone Working continues to be recognised as an ongoing risk to a large number of employees. New procedures and guidance documents have been produced and training, where necessary provided.

5.7.6 Working at Height

These regulations were introduced in April 2005, they proposed a cultural change in the way the Councils employees had previously approached working at height.

The regulations require a more structured system in determining the need to work at height and the hierarchy laid down in the regulations must be followed.

Duty Holders Must:

- Avoid work at height where they can;
- Use work equipment or other measures to prevent falls where they cannot avoid working at height;
- Where they cannot eliminate the risk of a fall, use work equipment or other measures to minimise the distance and consequences of a fall should one occur.

On whether ladders/step ladders can be used, the regulations require that a risk assessment must be carried out to justify their use, and must satisfy the following criteria:

- Low risk
- Short Duration
- Site conditions dictate

The Council have included the above in its operational procedures relating to working at height.

5.7.7 Hand Arm Vibration

The 'Control of Vibrations Regulations' came into force in July 2005 and, although the requirement to measure vibration of equipment has been around for years in other legislative documents, the Health and Safety Executive is focusing the minds of employers on the hazards and risks of using vibrating work equipment safely.

The Health and Safety Section have created a database of all work equipment and employees time of use, relating to exposure in the use of vibratory equipment.

This information was made available to employees and managers, those employees identified as exceeding the Lower Exposure Action Value (LEAV), were subsequently placed in the medical surveillance programme within occupational health.

Some 175 employees were trained internally to understand:

- the legislation covering the use of vibratory equipment;
- the employees role of the risks involved in using vibratory equipment;
- how the risks could be reduced;
- the health implications in place to protect the workforce from Hand Arm Vibration Syndrome.

5.7.8 Fire Preventative Measures

The Regulatory Reform (Fire Safety) Order 2005 came into effect in October 2006; the order amends or replaces 118 pieces of existing legislation.

It repealed the Fire Precautions Act 1971 and the Fire Precautions (Workplace) Regulations 1997.

The Councils Health and Safety Team have reviewed and updated the Fire Risk Assessment forms and associated policy and guidance documents in line with the new requirements of the order.

5.8 Statement of Internal Control (SIC) and Comprehensive Performance Assessment (CPA)

The Council's ability to clearly demonstrate high quality corporate governance arrangements is now substantially linked to the SIC and CPA issues. The requirements for a properly developed and evidenced SIC were introduced by the Accounts and Audit Regulations 2003, have had an impact since 2004.

Comprehensive guidance issued by CIPFA regarding compliance with the SIC regulations has been used to develop a corporate approach to securing a strong SIC position. This is fully considered by the Audit Commission, who reports on their findings to the Council. This also informs the CPA assessment.

Risk Management features strongly in any assessment of corporate governance and this is confirmed within the SIC guidance and the CPA self-assessment criteria under Use of Resources.

A group of senior officers, representing all Council departments, continue to develop the necessary policy/procedural documents covering financial and operational control, performance and risk management. Comprehensive development of these is essential and the results will be used to determine areas of weakness, good practice and ongoing developmental needs to ensure that all departments operate in accordance with best governance practices.

The demands for the highest possible CPA will not be satisfied without a strongly evidenced SIC position, which itself seeks to ensure that proper risk management practices are operating across the Council.

5.9 *Emergency Planning*

The Council is responsible for developing, monitoring and updating an Emergency Plan, in accordance with the requirements of the Civil Contingencies Act (CCA) 2004. The aim of the Plan is to co-ordinate the response of the various departments within the Council with those of other local authorities, the uniformed emergency services and other voluntary agencies.

For the purposes of the Plan, the word 'emergency' is defined as 'any extraordinary situation whereby the residents or visitors to the Borough require assistance beyond that normally provided by the Council'.

The Civil Contingencies Unit (CCU) of the County Durham and Darlington Fire and Rescue Authority continues to provide support to the Council by organising meetings of the Council's Crisis management Team on a regular basis and organising a number of training exercises with the Emergency Response Team and Emergency Support Staff to test parts of the Plan.

An electronic copy of the Emergency Plan is available on the Council's Intranet under 'Documents'.

5.10 *Business Continuity*

The CCA 2004 also imposed a statutory responsibility on the Council to develop an approach to Business Continuity management.

A Generic Business Continuity Plan for the Green Lane Offices was subsequently developed to provide a strategic framework around which staff can work to enable critical functions within the building, to be delivered as quickly as possible in the event of a business disruption such as that caused by a fire, loss of electricity supply, flooding etc.

Every service area is represented on an officer working group, which is an ad-hoc sub-group of the Risk Management Group. The CCA 2004 imposed a statutory deadline to complete the Plan by 15th November 2005 and the Group met on a regular basis to ensure that the Council complied with the requirements of the Act within the deadline.

Work is currently ongoing with other plans to cover the activities within the Council's Leisure centres and will be developed for Central Depot at Chilton once the review of the Depot is completed.

The Council also has a statutory responsibility under the Act to promote the benefits of developing Business Continuity Plans to local businesses and the Voluntary Sector. To meet this responsibility the Council initially placed information on the Council's Internet web-site that allows Businesses to obtain further guidance and assistance from a number of specialist organisations using hyperlinks.

A letter is to be sent to all Businesses on the Strategy and Regeneration section's mailing list to advise those companies to consider the benefits of developing business continuity plans and seeks information from any of them if they consider that they may be able to contribute to the "solution" of the problem of dealing with a pandemic flu outbreak so that the PCT can, if permissible, provide key workers with anti-virals and vaccines to enable them to continue to manufacture their products.

An electronic copy of the Business Continuity Plan is available on the Council's Intranet under 'Documents'

5.11 *Pandemic Flu Planning*

The Business Continuity Group has also developed a Pandemic Flu plan with the assistance and guidance of the CCU.

An Action Plan has been produced which identifies a number of critical activities that need to be undertaken to enable the Council to make adequate preparations for an inevitable Pandemic Flu Outbreak at some time in the future. The World Health Authority claims it is not a question of "if" an outbreak occurs, is a question of "when".

Such is the concern of a Pandemic Flu outbreak that this is the highest risk that the Local Resilience Forum has identified.

An electronic copy of the Plan is available to all employees and members on the Council's intranet within the "Documents" section.

Officers have been working closely with the County Durham Primary Care Trust (PCT) to assist them to develop their Pandemic Flu Plan as the Council may be expected to make Leisure Centres available to assist the PCT to distribute anti-virals and subsequently make arrangements for the public to be vaccinated at the Centres.

5.12 *Review of the Risk Management Policy and Strategy Statements*

The Risk Management Group is in the process of reviewing the Risk Management Policy and Strategy Statements that were initially approved by Cabinet on 31st July 2003. The statements will be updated to reflect developments since that date and a new action plan agreed.

5.13 Training

Members will recall that the Head of Financial Services, and the Principal Auditors from both the Council and the Audit Commission, made presentations to members of the Audit Committee on risk management, internal audit and external audit in October 2006. The presentations were intended to provide a background to those important subjects and positive feedback was received from those members who were able to attend.

Further training relating to the Council's Health and Safety arrangements is to be provided in due course by the Council's Strategic Health and Safety Officer to all members of the Council.

5.14 Measuring Performance

It is extremely difficult to gauge the effectiveness of the risk management and health and safety activities within the Council.

There are no performance benchmarks that would indicate whether the Council would be regarded as being in a "top" or "bottom" quartile when compared with other Authorities.

The Association of Local Authority Risk Managers (ALARM) was set a joint initiative with the Audit Commission and Risk Management Partners (RMP)/Gallagher Bassett to undertake a comprehensive survey of its members during 2006 and to develop benchmarking data for establishing an effective performance measurement framework for risk Management. It may therefore be possible in the future to be able to draw meaningful comparisons in terms of performance measures but it is not possible to do that at present.

In terms of insurance claims experiences, the Risk Management Group considered a report during the year which confirmed that in respect of **Employers Liability** claims there has been an annual average of only 5 claims being made by employees since 1992 when Zurich Municipal(ZM) entered the Local Authority insurance market following the demise of Municipal Mutual Insurance limited. ZM have now settled 67 of the 71 claims made during that period of which 35 (52%) have been settled without a payment being made to the claimant. Payments in respect of the remaining 32 claimants amounted to £300,839 with an average settlement of £9,401. It is pleasing to note that there have been only 5 claims received in respect of the last 2 years, although more may arise.

With regard to **Public Liability** claims there has been an average of 47 claims per year over the same period, with only 22 during 2003/04, 27 in respect of 2004/05 and 8 in respect of 2006/06. These figures exclude a number of minor claims, none involving any personal injury to a claimant, that have been settled without recourse to the Insurance Company. ZM have settled 640 of the 658 claims receive since 1992 of which 368 (58%) have been settled without a payment being made to the claimant. Payments in respect of the other 272 claimants amounted to £831,988, an average payment of £3,059

With regard to Health and Safety trends, the total number of accidents reported has fallen from 112 in 2001/02, to 86 in 2002/03, to 58 in

2003/04, increased to 76 in 2004/05, increased marginally again in 2005/06 to 78 and currently there have been 44 reported in the first 9 months of the current year. As there are approximately 1100 employees working for the Council that compares favourably with one of our neighbouring authority's which had 106 accidents in 2003/04 with a workforce of only 900 employees

6. CONCLUSION

Much progress continues to be made in the area of Risk Management. The Council can clearly demonstrate where initiatives and policies have been developed and adopted around the Council. However, as demonstrated in the report, further development of the corporate risk management areas of CPA and the Statement of Internal Control is crucial to future assessments of the quality of corporate governance. The successful completion of the actions covered in 5.8 above, and the implementation and monitoring of those actions, is essential.

Contact Officer: Harold Moses
 Tel. No.: 01388-816166 ext. 4385
 E-mail: hmoses@sedgefield.gov.uk
 Ward(s): Not Ward specific.

Background Papers: Risk Management Progress Report to Overview and scrutiny Committee 1-August 2005

Examination by Statutory Officers:

	Yes	Not Applicable
1. The report has been examined by the Council's Head of the Paid Service or his representative.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
2. The content has been examined by the Council's S.151 Officer or his representative.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3. The content has been examined by the Council's Monitoring Officer or his representative.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
4. Management Team has approved the report.	<input type="checkbox"/>	<input checked="" type="checkbox"/>

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