

Item 4

REPORT TO THE AUDIT COMMITTEE

28th JANUARY 2008

REPORT OF DIRECTOR OF RESOURCES

Portfolio: STRATEGIC LEADERSHIP

Subject: RISK MANAGEMENT PROGRESS REPORT 2007

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) have necessitated a strong Risk Management culture. The new requirements of the Statement of Corporate Governance, maintains this emphasis on Risk Management.
- 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 this Committee on 29th January 2007.

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' published in 2001, 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 Since 2001, local government has been subject to continued reform intended to improve local accountability and engagement and CIPFA/SOLACE have recently revised the Framework to more comprehensively reflect the change in environment. Whilst the fundamentals of good governance remain relevant, the new Framework is currently being assessed to identify whether changes to the Council's Local Code of Corporate Governance are needed.
- 3.3 Within the revised Framework, risk management is specifically identified as follows:-
- Core Principle – The authority takes informed and transparent decisions which are subject to effective scrutiny and managing risk.
- Supporting Principle – Ensure that an effective risk management system is in place.
- Requirement To – Ensure that risk management is embedded into the culture of the authority, with members and managers at all levels recognising that risk management is part of their jobs.
- 3.4 A number of good practices relevant to the Governance Framework risk management issues have been well established within the Council for many years. However, the continuing development of Risk Management is essential to the achievement of the increasingly significant strong governance requirements.

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 issues, including Health and Safety, 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 Arrangement/Communications System
Work at Height Regulations
Control Asbestos Regulations/Management
Legislative Changes
Updates from the Council's Insurers
Emergency Planning
Business Continuity Planning
Pandemic Flu Planning
Driving Licenses
Substance Misuse
Insurer's Fire Reports
Personal Safety
Sickness Absence
Violent Incidents Arrangements
At Risk Register Development
Construction Skills Certification Scheme
Green Lane Security
Mobile Phone use
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Further details on the more significant areas are given in 5 below.

5. RISK MANAGEMENT ACTIVITY PROGRESS

5.1 Departmental Safety Groups

Important work relating to specific operational risks continues to be undertaken by the Council's Safety Groups. Since the previous report two more safety groups have been formed; this brings the total up to six groups covering all Council departments, all reporting into the Risk Management Group:

- Housing Services.
- Leisure Department.
- Neighbourhood Services.
- Chief Executive's Department (Training).
- Chief Executive's Department (Other Sections).
- Resources Department.

5.1.1 Housing Safety Group

All housing personnel attended 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 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.

The operational process risk profiles have been highlighted by Housing Safety Officers through continuous toolbox talks to operatives.

5.1.2 Leisure Safety Group

The Leisure Safety Group increased Health and Safety awareness has resulted in a decrease in accidents to customers undertaking leisure activities. This has also resulted in reduced public liability insurance claims.

5.1.3 Neighbourhood Services Safety Group

Neighbourhood Services Safety Group was restructured during the year, the outcome being positive benefits in relation to legislative documentation by improved record keeping, increased awareness and increased performance monitoring, which has resulted in the department achieving the Council's non-conformance close out target of 80%.

5.1.4 Chief Executive Training Safety Group

The Council's Training Safety Group have recently been commended and praised by the Learning Skills Council for their innovative approach of involving all different learner groups in raising Health and Safety awareness.

These groups have bought into the process activities pertaining to Health and Safety and regularly monitor their own areas to ensure compliance with existing regulations by feeding information back on potential hazards and risks; these are then swiftly closed out by Management Personnel.

5.1.5 Chief Executive Safety Group (Other Sections)

This group has been recently formed at the request of employees within the department. The group forms part of the consultation exercise on the introduction of new policy and procedures and feeds back positive suggestions on amendments to the documentation.

Discussions on sickness absence and workplace accident department reports result in suggestions of pro-active measures to reduce the reported figures.

5.1.6 Resources Safety Group

This is another safety group that was formed at the early part of the year and has resulted in mainly office based personnel having an active voice in deciding Health and Safety policy.

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

This Group, with representation from all Durham Districts and the Council, meets periodically to exchange views on a wide range of risk matters affecting all authorities. Recent items included Health and Safety Statistics, Strategic Risk, Business Continuity, Internal Control Arrangements, Insurance Renewals, Asbestos Claims, Local Area Agreements, Shared Services, Training, Partnerships and Governance Framework. 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 £351,000, with varying policy excesses, up to £69,200 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. 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 was held on 25th January 2007. Several meetings have been held with neighbouring authorities and areas for further development identified.

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. 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.

The technique has been successfully applied to a number of projects/activities to date. The Risk Management Group continues to promote this valuable aid to the identification and mitigation of risk and its use around all departments of the Council is increasing.

5.7 Health and Safety

5.7.1 General

Since the previous report to the Audit 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 Index Register displaying all policies, procedures and risk assessments records, relating to the process work activities of the authority has been introduced on the Council's Intranet. The register currently holds about 2000 documents and records.

5.7.3 Occupational Health and Safety Communication Framework

The communication within the framework continues to improve. The message relating to Health and Safety awareness is effectively being transmitted to more areas and reaching more personnel and there appears to be a more openness to discuss Health and Safety topics.

The Occupational Index on the Council's Intranet, introduced in the last year, has greatly improved individual access, through any Council personal computer, to Health and Safety documentation and information without having to go through the Health and Safety section for advice. A request has been made to IT to monitor visits to the database.

5.7.4 Stress Management Policy

Further Stress Management related guidance documents have been developed and the reactive approach in dealing with stress related illnesses is now firmly entrenched in the occupational management systems, particularly in reference to onward referrals.

Current work in this field is moving from the reactive to more proactive ways in identifying how individuals perceive stressors. The mechanism to conduct stress surveys has been formulated and published, and training on how to complete the stress diagnostic tool was undertaken in December 2007 with the Leisure Department being the pilot scheme.

Self assessment using the Health and Safety Executives Stress Progress Indicator sees the Council currently at Stage 3 of a five stage process.

The Councils Stress Primary Intervention Programme has proved particularly successful in allowing the individual, along with their immediate Manager, to identify their perceived stressors and being able to agree a programme to move forward.

Managers are continuing to undertake 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; the resultant feedback from attendees on this course has proved positive.

Consideration is being given to extending such training to Senior Managers.

5.7.5 Lone Workers

Monitoring of lone workers arrangements has improved greatly through the last few months with the successful launching of the Council's I-Call system which allows permanent monitoring by the Council's Control Room personnel based at the Chilton Depot.

A successful escalation procedural system allied to the I-Call allows notification of failure to respond immediately after the time has elapsed that an individual lone worker should have reported in. There are progressive stages in place of escalation that ensures there is a tangible approach in dealing with a non-respondent call.

5.7.6 Working at Height

These regulations were introduced in April 2005 and proposed a cultural change in the way the Council's employees had previously approached working at height and the equipment used.

The imposition of the regulations to date on the Council's work activities requires management to conduct specific risk assessment on the justification of use set against the criteria listed below:

- Low risk
- Short Duration
- Site conditions dictate

The Council have included the above in its operational procedures relating to working at height, but there is little evidence in relation to the completion of risk assessment available for inspection. Managers must therefore ensure risk assessments are completed prior to the use of such access equipment to ensure compliance with the legislation.

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 created a database of all work equipment and employees time of use, relating to exposure in the use of vibratory equipment. This information resulted in the database calculating individual employees exposure levels at the action and limit values.

There were 73 employees above the exposure action value; these employees were placed in the vibration medical surveillance programme. Some 31 employees of the above figure were referred for Tier 3 assessments, of this figure 12 were referred to the doctor for Tier 4 assessments.

5.7.8 Fire Preventative Measures

The Regulatory Reform (Fire Safety) Order 2005 came into effect in October 2006.

The Council's Health and Safety Team have reviewed and updated the Fire Risk Assessment forms and produced Fire Log Books for all of the Council's buildings.

The Fire Risk Assessments have been completed in 32 of the Council's 42 buildings requiring assessments, with the remainder due for completion shortly.

5.7.9 Corporate Manslaughter & Corporate Homicide Act 2007

The Corporate Manslaughter and Corporate Homicide Act 2007 were given Royal Assent on the 26 July 2007 and will come into force on 6 April 2008.

The new offence allows an organisation's liability to be assessed on a wider basis, providing a more effective means of accountability for any very serious management failings across the organisation.

An organisation will only be guilty if the way in which its Senior Managers manage or organise its activities is a substantial element in the breach.

Effective Health and Safety management systems based on the following would normally be seen as doing enough to meet the Council's legal obligations.

- Simple structure for Health and Safety management.
- Clear roles and responsibilities.
- Defined targets and objectives.
- Employee and management involvement.
- Regular monitoring and objective assessment performance.
- Process for raising and correcting problems and issues.
- Continuous improvement.
- External accreditation (OHSAS 18001) to validate performance.

The Council's existing Occupational Management System is consistent with the obligations listed above.

5.7.10 Other Documentation

The following documents have been written and approved since the last report, as an aid to assist the control and management of risks associated with the Council's activities:

Health & Safety Policy Statement.
Home Working Policy.
Substance Misuse Policy.
Managers Guide to Substance Misuse.
Substance Misuse Treatment Programme.
Young Workers Policy.
Green Lane Car Park Rules.
Policy for the Provision of mobile communications equipment.
Safe use of Mobile Communicating Devices.
Annual Report on Health & Safety 2007.

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

The Council's ability to clearly demonstrate high quality corporate governance arrangements has been substantially linked to the SIC and CPA issues by the requirements for a properly developed and evidenced SIC introduced by the Accounts and Audit Regulations 2003.

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 featured strongly in any assessment of corporate governance and this was confirmed within the SIC guidance and the CPA self-assessment criteria under Use of Resources.

With effect from April 2008, current requirements are replaced with the production of a new Statement of Corporate Governance. Guidance on delivering good governance has been produced by CIPFA/SOLACE and this guidance is currently being assessed to identify any areas where further development by the Council is needed. Initial views are that most of the requirements are already embodied in the Council's working practices, including proper Risk Management.

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 continued to provide support to the Council by organising meetings of the Council's Crisis Management Team 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 and is supported by the Civil Contingencies Unit.

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.

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; it's 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 reviewed the Risk Management Policy and Strategy Statements that were initially approved by Cabinet on 31st July 2003. Revised Risk Management Policy and Strategy Statements were considered and approved by Cabinet at its meeting on 26th April 2007.

5.13 **Strategic Risk**

Action has taken place to identify the key strategic risks facing the Council. A Strategic Risk Group, including Directors and Heads of Service, initially identified 24 strategic risks, and this has recently been re-focused following the Local Government Review announcements down to a revised listing of 12 risks, as follows:-

- Recruitment/Retention of staff.
- Sickness levels.
- IT Infrastructure.
- Maintain/Improve quality of governance.
- Non-compliance with legislation.
- Delivery of Private Sector Master Plan/Major Regeneration Initiatives (including regeneration company).
- Maintain/enhance performance management.
- Delivery of Training Centre
- Partnerships – Performance, Funding, Strategy, Failure.
- Comprehensive assessment of resources needs.
- Delivery of satisfactory Property Services within revised contract arrangement.
- Delivery of Decent Homes Standard and quality housing management services (including LSVT).

Some progress has been made in fully identifying the various issues associated with each risk and further development of the Risk Matrix and associated Management Action Plans is to be undertaken.

5.14 **Measuring Performance**

It remains difficult to gauge the effectiveness of the Risk Management and Health and Safety activities with the Council as 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.

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 69 of the 71 claims made during that period of which 37 (54%) have been settled without a payment being made to the claimant. Payments in respect of the remaining 32 claimants amounted to £309,185 with an average settlement of £9,662. It is pleasing to note that there have been only 4 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 46 claims per year over the same period, with only 22 during 2003/04, 29 in respect of 2004/05, 14 in 2005/06 and 17 in 2006/07. 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 653 of the 683 claims received since 1992 of which 368 (58%) have been settled without a payment being made to the claimant. Payments in respect of the other 277 claimants amounted to £857,367, an average payment of £3095.

With regard to Health and Safety trends, the number of accidents reported has been at a consistent level around 75 for the last 3 years. A total of 67 accidents have been reported for the period April - December 2007, although only 18 of these resulted in absence from work and therefore have been reported to the Health and Safety Executive.

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 the Governance Framework, together with further progress on Strategic Risk, are crucial to future assessments of the quality of corporate governance.

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Background papers: Risk Management Progress Report to Audit Committee
 29th January 2007.

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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