

# OPERATIONAL RISK REGISTER

June 2013



## Finance & Resources - James Deane

### FR\_F02 Delays to Capital programme

<b>Category:</b> Financial	<b>Corporate Priority:</b> Dacorum Delivers	<b>Risk Owner:</b> James Deane	<b>Portfolio Holder:</b> Cllr Nick Tiley	<b>Tolerance:</b> Treating
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Inherent Probability	Inherent Impact	Inherent Risk Score	Residual Probability	Residual Impact	Residual Risk Score
3 Likely	2 Medium	6 Amber	2 Unlikely	2 Medium	4 Green

Consequences	Current Controls	Assurance
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<p>Many of the major projects within the Capital Programme are fundamental to delivery of the Council's corporate objectives. Therefore significant delays can impact on the achievement of the corporate plan.</p> <p>Financial decision-making is negatively affected if the timing of projects in the Capital Programme is wrong. This can result in lost investment income or increased interest costs as the Council moves closer to the point where it will need to borrow.</p> <p>The estimated delivery date is considered as part of the decision to allocate capital funds to one project over another. If estimated timings are not accurate, there is a risk that the allocation of funds is not being decided on appropriately.</p> <p>If inaccurate project management is tolerated, there is a risk that the culture of financial management across the</p>	<p>Monthly meetings take place between accountants and budget holders to monitor progress against original timeframes and costs.</p> <p>Capital Strategy Steering Group (CSSG) meets quarterly to review progress against the Programme, and to consider whether new funding bids are robust.</p> <p>Reports go to Cabinet and all Overview and Scrutiny Committees (OSC) every quarter. These reports have been redesigned to focus on the more immediate risk of in-year delivery, highlighting higher risk areas to invite closer scrutiny from Members.</p>	<p>Quarterly Finance reports to Cabinet and OSCs.</p> <p>Capital Strategy.</p>
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Council will be negatively affected which will have consequences for wider financial decision-making.

Not delivering major projects within the timeframe to which it has committed itself exposes the Council to reputational risk.

**Sign Off and Comments**

**Sign Off Complete**

The inherent probability of this risk crystallising has been reduced from a 4 last year to a 3 this year. This reflects the improved controls implemented over the last 12 months which resulted in slippage on the Capital Programme reducing to 10% in 2012/13, down from over 50% in each of the previous 3 years.

The Council has commissioned a consultancy firm, V4, to deliver a means of effective project reporting to Chief Officer Group (COG). These reports are yet to be finalised, but will ensure that delivery and financial risks associated with key projects remain visible and subject to the scrutiny of the Council's most senior officers. These reports are expected to be finalised during 2013/14.

A project has been underway to align the IT systems in Planning and Finance to produce a robust report on the amount of S106 funding available to the Council for use on capital projects. The report will identify the owner of each fund and the deadline for spending the funds. This will improve the Council's ability to allocate available capital funds as effectively as possible. This report is anticipated to be rolled out in quarter 2 of 2013/14.

**FR\_F03 Variances in General Fund revenue budget**

<b>Category:</b> Financial	<b>Corporate Priority:</b> Dacorum Delivers	<b>Risk Owner:</b> James Deane	<b>Portfolio Holder:</b> Cllr Nick Tiley	<b>Tolerance:</b> Treating	
<b>Inherent Probability</b>	<b>Inherent Impact</b>	<b>Inherent Risk Score</b>	<b>Residual Probability</b>	<b>Residual Impact</b>	<b>Residual Risk Score</b>
4 Very Likely	2 Medium	8 Amber	3 Likely	2 Medium	6 Amber

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Consequences	Current Controls	Assurance
<p>Accurate, well-controlled budgeting relates directly to the achievement of the Dacorum Delivers corporate objective, and indirectly, through the financial decision-making process, to the achievement of all of the Council's corporate objectives.</p>	<p>The annual budget-setting process consists of an ongoing scrutiny process in which senior officers from across the Council, together with the Financial Services team, challenge the following year's budget bids from Group Managers.</p>	<p>The Council's budgetary controls are assessed each year by Internal Audit, and at the last assessment, in January 2013, received a 'Full' level of assurance.</p>
<p>Inaccurate budgeting negatively affects the Council's ability to make evidence-based decisions. A significant underspend at year-end could indicate that funds have been needlessly diverted from a competing priority. A significant overspend at year-end could result in reserves being used to support lower priority objectives. Both of these could result in reputational damage for the Council.</p>	<p>This scrutiny process is augmented by the Budget Review Group (BRG), consisting of Chief Officer Group and representatives from the Portfolio Holder group, which provides early Member-level challenge.</p> <p>There are two opportunities for OSCs to scrutinise the budget proposals and directly question the relevant officers before the budget report is finalised and considered by Cabinet and Council.</p>	
<p>Failure to address the causes of inaccurate budgeting could negatively impact the Council's culture of financial management, which in turn increases the risk of poor financial decision-making.</p>	<p>Once approved, in-year budget performance is managed through monthly meetings between accountants and budget holders, which underpin monthly reports to CMT and quarterly reports to Cabinet and OSCs.</p>	
	<p>The Council's Financial Regulations provide a guide to all budget-holders and are subject to annual review.</p>	
<b>Sign Off and Comments</b>		
Sign Off Complete		

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This risk amalgamates what has previously been reported as two mutually exclusive risks: 'Overspends against budget' and 'Underspend against budget'.

Work continues to identify additional controls that will help address the Council's history of underspending against budgets. The monthly report to CMT has been redesigned to highlight material areas of risk, which encourages focus on those areas that could provide budget savings for the following year. This report will be rolled out at the August 2013 meeting of CMT.

## FR\_I02 Failure to optimise income generated by commercial assets

<b>Category:</b> Infrastructure	<b>Corporate Priority:</b> Dacorum Delivers	<b>Risk Owner:</b> James Deane	<b>Portfolio Holder:</b> Cllr Nick Tiley	<b>Tolerance:</b> Treating	
Inherent Probability	Inherent Impact	Inherent Risk Score	Residual Probability	Residual Impact	Residual Risk Score
3 Likely	3 High	9 Amber	2 Unlikely	3 High	6 Amber
Consequences		Current Controls		Assurance	
<p>The council has a significant portfolio of commercially let properties, which provides one of the council's largest sources of income.</p> <p>Council officers must attempt to maximise income from these assets whilst avoiding the risk of vacant properties and increasing bad debts, which could arise if rents are set too high, and would jeopardise the council's achievement of its corporate objectives of Regeneration and Dacorum Delivers.</p> <p>The continuing recession and the difficulties it brings for local businesses increases the likelihood of this risk crystallising.</p>		<p>Estates officers responsible for negotiating rent reviews hold monthly meetings with the Debtors team to track current bad debtors. This increases their understanding of the economic pressures businesses are facing, and how it can impact on council income.</p> <p>There are currently Corvu performance targets to maintain the number of voids (empty properties) below 5%, and to keep the rent arrears below 10%. Failure to meet either of these targets would prompt further investigation.</p>			

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## Sign Off and Comments

Sign Off Complete

The council has a number of rent reviews which are due and is dealing with a number of complex bespoke contractual issues arising from legacy agreements. Some of these agreements prevent the council from optimising income levels from commercial assets, and are being addressed as they arise.

### FR\_I04 Failure to maintain an effective business continuity plan for all relevant service areas

<b>Category:</b> Infrastructure	<b>Corporate Priority:</b> Safe and Clean Environment	<b>Risk Owner:</b> James Deane	<b>Portfolio Holder:</b> Cllr Nick Tiley	<b>Tolerance:</b> Tolerating	
Inherent Probability	Inherent Impact	Inherent Risk Score	Residual Probability	Residual Impact	Residual Risk Score
3 Likely	4 Severe	12 Red	2 Unlikely	4 Severe	8 Amber
Consequences		Current Controls		Assurance	
Disruption caused by service failure leading to hardship for individuals, potential loss of business and significant reputational damage		<ul style="list-style-type: none"> <li>- Business continuity plans in place, revised at March 2011.</li> <li>- Annual review process.</li> <li>- Corporate business continuity process and procedures set out in emergency response toolkit.</li> </ul>			

## Sign Off and Comments

Sign Off Complete

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## FR\_R01 Delays and errors in the processing of Benefits claims

<b>Category:</b> Reputational	<b>Corporate Priority:</b> Dacorum Delivers	<b>Risk Owner:</b> James Deane	<b>Portfolio Holder:</b> Cllr Nick Tiley	<b>Tolerance:</b> Treating	
<b>Inherent Probability</b>	<b>Inherent Impact</b>	<b>Inherent Risk Score</b>	<b>Residual Probability</b>	<b>Residual Impact</b>	<b>Residual Risk Score</b>
3 Likely	2 Medium	6 Amber	2 Unlikely	2 Medium	4 Green
<b>Consequences</b>		<b>Current Controls</b>		<b>Assurance</b>	
<p>Distribution of collection fund to other preceptors is based on the budgeted collection level, if collection falls short this could lead to a cashflow issue within the Council's finances. The fund distribution is balanced after the end of the financial year.</p> <p>Reputational risk if collection rate falls significantly – this could also impact on future years' council tax base leading to increased budget pressures.</p> <p>Financial risk in relation to business rate retention scheme if rates collection falls below government set baseline.</p>		<p>Profiled monthly collection rates form part of monthly monitoring.</p> <p>Reasons for variance are investigated monthly.</p> <p>Direct debit payment is recommended for all customers – a pre-filled instruction is sent to all non-DD payers with their annual bill or a first bill for a new taxpayer.</p> <p>There is an active programme for taking formal recovery action against non payers.</p>			
<b>Sign Off and Comments</b>					
<p>Sign Off Complete</p> <p>Work continues on the full implementation of paperless direct debits. This will make the setting up of a direct debit even easier for taxpayers, as they will be able to do this over the phone or online.</p>					

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## FR\_R02 Council Tax and Business Rates collections rates drop below budget

<b>Category:</b> Reputational		<b>Corporate Priority:</b> Dacorum Delivers		<b>Risk Owner:</b> James Deane	<b>Portfolio Holder:</b> Cllr Nick Tiley	<b>Tolerance:</b> Treating
Inherent Probability	Inherent Impact	Inherent Risk Score	Residual Probability	Residual Impact	Residual Risk Score	
4 Very Likely	3 High	12 Red	4 Very Likely	2 Medium	8 Amber	
Consequences		Current Controls		Assurance		
<p>This risk links to the corporate objective Dacorum Delivers, focussing on an efficient and effective council.</p> <p>Customers could suffer personal hardship resulting from delays or errors in the processing of claims.</p> <p>Significant reputational risk associated with high-profile errors.</p> <p>Staff time spent on addressing unnecessary errors leads to duplication of effort and is an inefficient use of resources.</p> <p>Government subsidy for housing benefit expenditure is based on external audit certification of the claim made. There is financial risk if errors on cases are identified during their testing.</p> <p>Communications with claimants needs to be well written and jargon-free in order to reduce the risk of repeat queries which puts pressure on limited staff resources.</p>		<p>Quality checking and individual performance management is in place. These mean that each officer has targets for their personal productivity and accuracy, and information from quality checks is fed back in order to sustain improvement.</p> <p>Average time taken for processing new claims and changes in circumstances forms part of monthly monitoring.</p> <p>Processes are in place to expedite cases where the customer is vulnerable or facing eviction. These processes start when a case is identified within benefits, or by customer services, homelessness, housing etc.</p>				

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Sign Off and Comments		
<p>Sign Off Complete</p> <p>Further reports are currently being developed to identify those steps in the benefits process where there is increased risk of delay. This should enable more effective use of resources and a reduced processing time.</p>		