

OPERATIONAL RISK REGISTER

September 2013



Finance & Resources - James Deane

FR_F02 Delays to Capital programme

Category: Financial	Corporate Priority: Dacorum Delivers	Risk Owner: James Deane	Portfolio Holder: Cllr Nick Tiley	Tolerance: Treating	
Inherent Probability	Inherent Impact	Inherent Risk Score	Residual Probability	Residual Impact	Residual Risk Score
3 Likely	2 Medium	6 Amber	5	2 Medium	10 Red
Consequences		Current Controls		Assurance	
<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>	

OPERATIONAL RISK REGISTER

September 2013



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 th

Sign Off and Comments

Sign Off Complete

There will be slippage of capital projects against the original budgets approved by Council in February 2013.

Early indications from the quarter 2 budget monitoring process are that the forecast outturn will be c£12m against an approved budget of c£21m. Detailed reasons for the slippage are provided in the Q2 Financial Outturn report.

Clearly, there are still project governance issues that need to be addressed across the Council. Work on the development of a new project gateway system is approaching the final stages, and this closer scrutiny is expected to result in reduced slippage in future years.

In addition, the extent of forecast slippage in the current year's capital programme will feed into the determination of a more realistic capital programme as part of the 2014/15 budget setting cycle.

Despite the scale of the slippage now forecast in 2013/14, the fact that it is being captured at the Q2 point rather than later in the year demonstrates that the Council is moving forward in its journey towards tighter financial control by project managers.

FR_F03 Variances in General Fund revenue budget

Category: Financial	Corporate Priority: Dacorum Delivers	Risk Owner: James Deane	Portfolio Holder: Cllr Nick Tiley	Tolerance: Treating	
Inherent Probability	Inherent Impact	Inherent Risk Score	Residual Probability	Residual Impact	Residual Risk Score

OPERATIONAL RISK REGISTER

September 2013



4 Very Likely	2 Medium	8 Amber	5	2 Medium	10 Red
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>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>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>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>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>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>		<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>	
Sign Off and Comments					
Sign Off Complete					

OPERATIONAL RISK REGISTER

September 2013



The Q2 forecast outturn position indicates that the Council is likely to underspend by £650k in 2013/14. This will be addressed in the revised budget to Council in February 2013. Full detail is provided in the Q2 Financial Outturn report.

The forecast underspend is less than in previous years and the recurring elements have been incorporated within the 2014/15 budget-setting exercise.

FR_I02 Failure to optimise income generated by commercial assets

Category: Infrastructure	Corporate Priority: Dacorum Delivers	Risk Owner: James Deane	Portfolio Holder: Cllr Nick Tiley	Tolerance: Treating	
Inherent Probability	Inherent Impact	Inherent Risk Score	Residual Probability	Residual Impact	Residual Risk Score
3 Likely	3 High	9 Amber	1 Very Unlikely	3 High	3 Green
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>			
Sign Off and Comments					

OPERATIONAL RISK REGISTER

September 2013



Sign Off Complete

The Q2 performance indicators demonstrate that the Estates team is proactively managing this risk and delivering good results.

The occupation rate is 99% against a target of 95%; property income is up by £350k year-on-year; and the percentage of arrears, although slightly over target at 11.5%, is down from 13% year-on-year. Within the context of the current economic difficulties, this is a particularly pleasing set of results.

The residual probability of this risk crystallising has been reduced from 2 to 1.

FR_I04 Failure to maintain an effective business continuity plan for all relevant service areas

Category: Infrastructure	Corporate Priority: Safe and Clean Environment		Risk Owner: James Deane	Portfolio Holder: Cllr Nick Tiley	Tolerance: 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"> - Business continuity plans in place, revised at March 2011. - Annual review process. - Corporate business continuity process and procedures set out in emergency response toolkit. 			
Sign Off and Comments					

Sign Off Complete

OPERATIONAL RISK REGISTER

September 2013



FR_R01 Council Tax and Business Rates collections rates drop below budget

Category: Reputational	Corporate Priority: Dacorum Delivers	Risk Owner: James Deane	Portfolio Holder: Cllr Nick Tiley	Tolerance: Treating	
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	
<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>			
Sign Off and Comments					
<p>Sign Off Complete</p> <p>Year-to-date collection rates remain above target for both Business Rates and Council Tax.</p>					

OPERATIONAL RISK REGISTER

September 2013



FR_R02 Delays and errors in the processing of Benefits claims

Category: Reputational	Corporate Priority: Dacorum Delivers	Risk Owner: James Deane	Portfolio Holder: Cllr Nick Tiley	Tolerance: 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>			

OPERATIONAL RISK REGISTER

September 2013



Sign Off and Comments

Sign Off Complete

Quarter on quarter performance has improved by 2 days in September to an average 29.5 days to decide a new claim. This is still below the target of 23 days.

Work is currently underway on a means of addressing this performance issue by electronically tracking all claims through the process from start to finish. The data will be extracted at each month end, and will identify the stages in the process where the delays are occurring - either due to Council processes or delayed responses from applicants.

This will enable more efficient management focus on the blockage points, and clearer information for Members on Council performance as opposed to those areas that are beyond the Council's control.