

OPERATIONAL RISK REGISTER

June 2014



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	4 Very Likely	2 Medium	8 Amber
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>Progress against capital schemes is included in the monthly Finance report to CMT.</p> <p>The Council has commissioned a consultancy firm, V4, to deliver a means of effective project reporting to Chief Officer Group (COG). These reports ensure that delivery and financial risks associated with key projects remain visible and subject to the scrutiny of the Council's most senior officers on a monthly basis.</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>The 2013/14 Final Outturn showed that the slippage of capital projects was around 30% against the Original Budget approved by Members in February 2013. This is an improvement on previous years where slippage against Original Budget has been around 60%.</p>	

OPERATIONAL RISK REGISTER

June 2014



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

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There were improvements in 2013/14 compared to previous years both in terms of reduced slippage against the Original Budget and reduced slippage against the Revised Budget.

Despite this, historical trends suggest it would be premature to downgrade the risk of slippage occurring in 2014/15.

There will be continued focus on the management of capital projects throughout the year and budgetary performance will be kept under tight review. This is particularly important as the Council's Capital Programme demonstrates a need for borrowing in 2015/16 and there is a possibility that borrowing costs will be incurred unnecessarily if projects are subject to previous levels of slippage.

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
3 Likely	2 Medium	6 Amber	3 Likely	2 Medium	6 Amber
Consequences		Current Controls		Assurance	
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		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		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.	

OPERATIONAL RISK REGISTER

June 2014



<p>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>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>	
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Sign Off and Comments

Sign Off Complete

The inherent probability of this risk crystalising has been downgraded from Very Likely (4), to Likely (3).

There will inevitably be some variance from budget. However, the continued reductions in General Fund budget mean that the Council is less likely to underspend to the extent that it has in recent years.

FR_I02 Failure to optimise income generated by commercial assets

Category:	Corporate Priority:	Risk Owner:	Portfolio Holder:	Tolerance:
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OPERATIONAL RISK REGISTER

June 2014



Infrastructure		Dacorum Delivers		James Deane	CLlr Nick Tiley	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>		<p>The year-end performance figures for 2013/14 demonstrate that occupation rates are above target (98.8% against a target of 95%), and that the level of arrears is also better than target (at 7.32% against a target of 9.5%).</p>		
Sign Off and Comments						
<p>Sign Off Complete</p> <p>There has been a good start to Quarter 1 of 2014/15, with Performance Indicator (PI) CP01 showing a continuing low level of voids (below 2%), and PI FIN11 showing that Investment Property Income is over budget for the quarter and up on the same point last year.</p> <p>On this basis, the residual risk rating remains at 3 for the current quarter.</p>						

OPERATIONAL RISK REGISTER

June 2014



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: Treating	
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		- Annual review process. - Corporate business continuity process and procedures set out in emergency response toolkit.			
Sign Off and Comments					
Sign Off Complete					
The Service continues to feed in to the Corporate Business Continuity Plan.					

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	4 Very Likely	2 Medium	8 Amber
Consequences		Current Controls		Assurance	
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		Profiled monthly collection rates form part of monthly monitoring.		The full year Council Tax Collection Rate for 2013/14 (Performance Indicator RBF05) was 97.7% against a budget of 97.5%.	

OPERATIONAL RISK REGISTER

June 2014



<p>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>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>	<p>The collection rate for NNDR (Performance Indicator RBF04) was under budget at 98.1% against a target of 99%.</p>
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Sign Off and Comments

Sign Off Complete

The Risk Rating remains the same as last year, as the 2013/14 outturn position showed that NNDR collection rates were below budget.

Collection rates for both targets are above budget for the the first quarter of 2014/15.

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	2 Unlikely	2 Medium	4 Green
Consequences		Current Controls		Assurance	
This risk links to the corporate objective Dacorum Delivers, focussing on an efficient and effective council. Customers could suffer personal hardship resulting from		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		The successful and continuously improving management of this risk can be seen in the improved performance of KPI RBF01a - Average Time Taken to Decide a New Benefit Claim.	

OPERATIONAL RISK REGISTER

June 2014



<p>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>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> <p>Monthly meetings are held between senior officers within Finance & Resources to monitor detailed performance levels at each stage of the claims process.</p> <p>This enables intermediary targets to be set for discrete elements of the process, which in turn enables the more effective monitoring which has resulted in significantly improved performance over the last 6 months.</p>	<p>Performance for the full year 13/14 was 27.4 days, which was an improvement of over 5 days against the 12/13 result of 32.8 days.</p> <p>Performance for the final quarter of 13/14 was 20.2 days, which is below the target of 23 days.</p>
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Sign Off and Comments

Sign Off Complete

The Risk Rating remains the same as the previous quarter as last year's good performance was continued into quarter 1 of 2014/15. This is demonstrated in PI RBF01, which was 16.3 days against a target of 23.