OPERATIONAL RISK REGISTER

September 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	2 Unlikely	2 Medium	4 Green

Consequences	Current Controls	Assurance
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. 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. 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. If inaccurate project management is tolerated, there is a risk that the culture of financial management across the	The controls that have been implemented to mitigate this risk target the robustness of capital bids both at the time they are submitted and throughout the delivery phase of the projects. In particular, scrutiny is focussed on those elements of the capital bid that experience indicates are the primary cause of delays to capital projects. These include • How robust are the assumptions on the estimated duration of the procurement exercise? • How realistic is the estimated time taken for contractors to deliver the works? • How realistic are the assumptions on officer availability to manage the project on time? The rationale behind this approach is that an increased culture of challenge will lead to more realistic	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%. As at the end of Quarter 2 2014/15 (the mid-point of the year), the capital forecast on the General Fund is broadly on budget, with no material slippage reported at this stage. Slippage on the HRA capital programme is forecast to be well below 5%.

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.	programming of future capital projects, and therefore a reduced likelihood of slippage. The following controls are in place with a view to developing a culture of scrutiny and challenge for officers to improve the accuracy of future bids: • Capital Strategy Steering Group (CSSG) comprising senior officers from across the Council required to challenge new bids for robustness ahead of recommendation to Members; • Monthly meetings take place between accountants and budget holders to monitor progress against original timeframes and costs; • Corporate Management Team (CMT) receive a monthly report on the progress of capital projects against anticipated timeframes; • Performance Group comprising Chief Officers and cabinet Members receive a monthly report on the progress of current projects; • 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.	

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Sign Off and Comments
Sign Off Complete Although at the half way point of the current year the capital budgets are forecast to be broadly on target, there remains cause for close monitoring because of the relatively low year-to-date (ytd) level of expenditure. The General Fund shows that ytd there has been capital expenditure of £3.7m, which means that there will need to be expenditure of £13.5m in the second half of the year if the forecast outturn is accurate. This represents a dramatic increase in the rate of expenditure compared to the first half of the year. However, there are a number of high value major projects which are currently underway and which are scheduled for completion by the end of the current financial year. A significant number of these projects have major payments scheduled for the second half of the year, which means that the forecast increase in spend rate is credible. The following projects account for c£9m expenditure scheduled for the next 6 months: Waste & Recycling Service Improvements £1m; Fleet Replacement £3m; Elms Hostel £2m; Hemel Town Centre Regeneration £2.7m. The HRA Capital Programme forecast is, historically, more robust because expenditure is always concentrated in the second half of the year. This is because it largely follows a planned works programme which is undertaken by contractors. On the basis of this information at the half year point, I have reduced the Residual Probability rating for this risk to a '2' - indicating a medium risk of there being significant slippage to the Capital Programme in 2014/15.

FR_F03 Variances in General Fund revenue budget

Category:	Corporate Priority:	Risk Owner:	Portfolio Holder:	Tolerance:
Financial	Dacorum Delivers	James Deane	Cllr Nick Tiley	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 following controls aim to reduce the probability of	The Council's budgetary controls are assessed each year

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. 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. 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.	there being a variance in the General Fund Revenue Budget by ensuring that there is strong challenge put to Budget Holders on the robustness of their assumptions, from a range of audiences. It is intended that these controls will increase the opportunity for flawed assumptions to be exposed as soon as possible, as well as inculcating a stronger culture of financial management across the Council leading to continuous improvement in the setting of accurate budgets. 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. 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. 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. Once approved, in-year budget performance is managed through monthly meetings between accountants and	by Internal Audit, and at the last assessment, in January 2013, received a ‘Full’ level of assurance. A further Internal Audit on the Council's budgeting process, undertaken in September 2014, has resulted in a draft 'Substantial' level of assurance. Despite this being a lower mark than the exceptional one achieved in the previous audit, it should be noted that it remains a very good result. The recommendations of the Internal Auditor that led to the reduced marking were not systemic in nature, and they do not pose a material threat to the overall control environment of the budget-setting process. Efforts have, however, been redoubled, and the causes of the recommendations have been addressed. The full Internal Audit report is scheduled for consideration by the Audit Committee at its meeting on 17 December 2014.

	budget holders, which underpin monthly reports to CMT and quarterly reports to Cabinet and OSCs. The Council's Financial Regulations provide a guide to all budget-holders and are subject to annual review.	

Sign Off and Comments

Sign Off Complete

At the mid-way point of 2014/15 the General Fund is forecast to outturn broadly on budget. Full details of the assumptions behind this forecast are available to Members in the Quarter 2 Financial Outturn report to the meeting of Finance & Resources OSC on 5 November 2014.

FR_I02 Failure to optimise income generated by commercial assets

Category:	Corporate Priority:	Risk Owner:	Portfolio Holder:	Tolerance:
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
The council has a significant portfolio of commercially let properties, which provides one of the council's largest sources of income. 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	The following controls aim to mitigate the risk of under-performance of the Council's commercial assets by maintaining good communication links between relevant Council services, and by regularly monitoring performance against targets (see KPIs CP01 and CP02) to ensure that underperformance is identified and addressed as quickly as possible. The existence of these controls has led to the 'Inherent Probability' of this risk occuring reducing from a score of 3, which is shown in	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%).

and Dacorum Delivers. The continuing recession and the difficulties it brings for local businesses increases the likelihood of this risk crystallising.	the Residual Probability (i.e. after controls implemented) being a 1. 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. 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.	

Sign Off and Comments
Sign Off Complete
At the mid-year point, KPIs CP01 and CP02 are both on target (see Appendix A to this report) which indicates that the controls in place are effectively mitigating this risk.

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

Category:	Corporate Priority:	Risk Owner:	Portfolio Holder:	Tolerance:
Infrastructure	Safe and Clean Environment	James Deane	Cllr Nick Tiley	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	These controls are implemented to ensure that the Council is adequately prepared and able to continue	

reputational damage	providing key services in the event of an emergency situation. Through this control, the probaility of the Council being unable to respond to such an emergency is reduced. - Annual review process. - Corporate business continuity process and procedures set out in emergency response toolkit.	

Sign Off and Comments
Sign Off Complete

FR_R01 Council Tax and Business Rates collections rates drop below budget

Category:	Corporate Priority:		Risk Owner:	Portfolio Holder:	Tolerance:
Reputational	Dacorum Delivers		James Deane	Cllr Nick Tiley	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
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. Reputational risk if collection rate falls significantly – this could also impact on future years' council tax base	The following controls aim to identify as quickly as possible if the Council is falling behind on its collection rates target for the year. If a problem is identified, the Council is then able to invoke a range of options to minimise the ongoing negative impact on collection. Profiled monthly collection rates are monitored monthly - see KPIs RBF04 and RBF05. Reasons for variances are	The full year Council Tax Collection Rate for 2013/14 (Performance Indicator RBF05) was 97.7% against a budget of 97.5%. The collection rate for NNDR (Performance Indicator RBF04) was under budget at 98.1% against a target of 99%.

leading to increased budget pressures. Financial risk in relation to business rate retention scheme if rates collection falls below government set baseline.	then investigated in order to address problems quickly as possible. 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. The direct debit method reduce the risk of under-collection because it eliminates the risk of a payer forgetting to make a monthly payment. There is an active programme for taking formal recovery action against non payers.	

Sign Off and Comments

Sign Off Complete

The Council's KPIs RBF04 and RBF05 (see Appendix A) indicate that performance for the year is good and that the controls in place are effectively mitigating this risk.

FR_R02 Delays and errors in the processing of Benefits claims

Category:	Corporate Priority:	Risk Owner:	Portfolio Holder:	Tolerance:
Reputational	Dacorum Delivers	James Deane	Cllr Nick Tiley	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	The controls in place aim to mitigate this risk by closely monitoring performance to assist with effective decision-making around resource allocation. This is a heavily process driven service area and close monitoring	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.

delays or errors in the processing of claims. Significant reputational risk associated with high-profile errors. Staff time spent on addressing unnecessary errors leads to duplication of effort and is an inefficient use of resources. 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. 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.	also helps to identify bottle necks in the process which need to be improved to optimise performance. By subjecting the process to this regular in-depth scrutiny the Service is able to reduce the probability of the risk crystallising, hence the reduction between the Inherent Risk score (4) and the Residual Risk score (2) after the controls have been taken into account. 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. Average time taken for processing new claims and changes in circumstances forms part of monthly monitoring. 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. Monthly meetings are held between senior officers within Finance & Resources to monitor detailed performance levels at each stage of the claims process. 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	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. Performance for the final quarter of 13/14 was 20.2 days, which is below the target of 23 days.

	improved performance over the last 6 months.	

Sign Off and Comments
Sign Off Complete KPIs RBF01 and RBF02 measure performance in the processing of benefits claims, and therefore indicate the extent to which this risk is being effectively managed. RBF01 shows that the processing of new claims averaged 24.3 days for the quarter against a target of 23 days. Year-on-year this represents a signficant improvement, but it does represent a drop in performance against the last 2 quarters (20.2 days and 16.3 days). A drop in performance over this quarter is common, and is usually attributable to the annual pressure on staff availability over the summer period, when annual leave is at its peak. However, performance in this area will be continue to be closely monitored. KPI RBF02 indiciates that the average time taken to process a change of circumstance claim is taking 15.5 days, which is above the target of 13 days. Comparison against the last quarter is not meaningful - performacne in the first quarter of a year is always significantly reduced due to a high volume of immediately actionable changes that are advised by Central Government as part of the benefits changes at the start of the new financial year. However, the year-on-year drop (from 12.4 days in Sept 2013) must be addressed. A recovery plan, involving the recruitment of temporary staff, has been put in place to bring performance back in line. This has been augmented by the introduction of 'trigger points' within the internal reporting process which will identify when demand pressure is starting to grow, so that in future remedial action can be taken in advance, rather than after performance has dropped below target.