Finance & Resources Operational Risk Register

December 2022

Summary

Risk Name	Risk Owner	31-Dec-21 Risk Consequence Actual	Risk Likelihood Actual	Status Actual	Status Update
Council Tax & Business Rates collections rates drop below budgets	Nigel Howcutt	2	4	8	Quarter on quarter there has been in increase of 1 in the likelihood of the In-year Collection rates not being achieved, this increases the overall risk by 2. The In-year Collection rates in 21/22 started strongly in the first half of the year and have tailed off over quarter 3. This is a trend that is being seen across the Hertfordshire county. The Council Tax at quarter 3 is behind expected levels as detailed in the quarterly performance report, KPI RBF05. It is expected that the year-end collection rates for council tax will remain behind target by circa 0.8%. The 21/22 collection of previous year's council tax arrears is performing positively and ahead of expectations with collection arrears double those of recent years, which is equivalent to 0.7% collection rate improvement ahead of expectations. This improvement assists in offsetting the impact of the in-year collection shortfall and hence at present is resulting in no expected budget pressures for 22/23. If collection rates on the whole continue to decline going forward there is a risk that future Medium Term Financial Strategy assumptions may need adjusting, and this would impact on the savings requirement in the medium term.
Delays and errors in the processing of Benefits claims	Nigel Howcutt	2	3	6	No Change to the risk score in Quarter 3. The impact on the benefits service of Covid is still ongoing which is providing mixed performance results. Dealing with existing client queries is performing in line with expectations but the time take to process new claims is still performing slower than pre covid expectations. A combination of the surge demand on the benefits service from the surge in test and trace applications in quarter 3 with a slower process to complete new

					applicants due to covid changes means the service still has room for improvement on the stretch targets that are expected.
Delays to capital programme	Nigel Howcutt	4	2	8	The mitigated probability score has been increased from 3 to 4, as it is very likely that overall capital spend in the year will be below expectations. At this point in the year it is unlikely that this will change and slippage in 22/23 with a revised programme of delivery is being created. The capital programme is showing significant slippage with an additional £5.8m of slippage across the HRA and General Fund at quarter 3. The impact is predominantly on the HRA, showing a £5.1m quarter 3 slippage. There are a combination of reasons as discussed in the budget monitoring reports, these include; slower planning approvals than expected, a shortage of materials and skilled labour in the wider construction sector.
Failure to optimise income generated by commercial assets	Nigel Howcutt	3	3	6	No Change in risk Score. The commercial assets service is outperforming budgeted expectations by over £600k, and current void levels at circa 5% are in line with expectations and pre covid performance levels.
variances in general fund revenue budget	Nigel Howcutt	3	2	6	A reduction from 3 to 2 in the mitigated probability of the General Fund producing a variance in 21/22. Overall risk reduces to 6 from 8, the likelihood of unknown events that create additional in year variances decreases as there is less time for changes in service provision. The general fund variance as at quarter 3 is £130k, equivalent to less than 1% of the net cost of services. There is an expectation that budget holders will improve performance to ensure a balanced budget by year end.

Detail	Status
Council Tax & Business Rates collections rates drop below budget	
Risk Owner	Nigel Howcutt
Portfolio	Finance & Resources
Risk Description	Council Tax & Business Rates collections rates drop below budget
Comments	Quarter on quarter there has been in increase of 1 in the likelihood of the In-year Collection rates not being achieved, this increases the overall risk by 2. The In-year Collection rates in 21/22 started strongly in the first half of the year and have tailed off over quarter 3. This is a trend that is being seen across the Hertfordshire county. The Council Tax at quarter 3 is behind expected levels as detailed in the quarterly performance report, KPI RBF05. It is expected that the year-end collection rates for council tax will remain behind target by circa 0.8%. The 21/22 collection of previous year's council tax arrears is performing positively and ahead of expectations with collection of 20/21 arrears double those of recent years, which is equivalent to 0.7% collection rate improvement ahead of expectations. This improvement assists in offsetting the impact of the in-year collection shortfall and hence at present is resulting in no expected budget pressures for 22/23. If collection rates on the whole continue to decline going forward there is a risk that future Medium Term Financial Strategy assumptions may need adjusting, and this would impact on the savings requirement in the medium term.
Controls & Assurances	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 then investigated in order to address problems quickly as possible. Direct debit payment is recommended for all customers. 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.
Evidence Risk is being managed	In 2018/19 and 2019/20 Business rates and council tax collection achieved or exceeded budgeted levels. The collection rates achieved are above national averages and specifically business rates collection was in the upper quartile of national performances.

Consequences / Impacts	Distribution of collection fund to other preceptors is based on the budgeted collection level, if collection falls short this could lead to a cash flow 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 leading to increased budget pressures. Financial risk in relation to business rate retention scheme if rates collection falls below government set baseline.
Delays and errors in the processing of Benefits claims	
Risk Owner	Nigel Howcutt
Portfolio	Finance & Resources
Risk Description	Delays and errors in the processing of Benefits claims
Comments	No Change to the risk score in Quarter 3. The impact on the benefits service of Covid is still ongoing which is providing mixed performance results. Dealing with existing client queries is performing in line with expectations but the time take to process new claims is still performing slower than pre covid expectations. A combination of the surge demand on the benefits service from the surge in test and trace applications in quarter 3 with a slower process to complete new applicants due to covid changes means the service still has room for improvement on the stretch targets that are expected.
Controls & Assurances	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 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.

Evidence Risk is being managed	The 20/21 financial year has seen a surge in new cases and changes to existing claimants. The service have had to introduce new ways of working to deal with the new cases during covid. The performance on changes to existing housing benefit cases has remained strong with performance in Qtr. 4 being the strongest achieved in over 18 months.
Consequences / Impacts	This risk links to the corporate objective Dacorum Delivers, focussing on an efficient and effective council. Customers could suffer personal hardship resulting from 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.
Delays to Capital programme	
Risk Owner	Nigel Howcutt
Portfolio	Finance & Resources
Risk Description	Delays to Capital programme
Comments	At present construction projects are impacted by 3 main uncertainties; 1. Supply and cost of construction materials, 2. Shortage of supply of skilled professional tradespeople, 3. Planning approval processes being slower than usual. (Especially those including external government bodies/agencies). These factors are making planning, procurement and delivery of capital projects more uncertain. At present the general fund capital programme has only shown small signs of slippage but the HRA capital programme is expected to slip by up to 50% in year.

Controls & Assurances	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 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: • Monthly meetings take place between accountants and budget holders to monitor progress against original timeframes and costs; • Corporate Management Team (CMT) receive a quarterly 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.
Evidence Risk is being managed	The General Fund and New House Building capital programmes will be concluded but the timeframes have extended as a result of covid. There is no significant financial pressures in the capital programme the majority of projects been delivered to budget.

Consequences / Impacts	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 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.
Failure to optimise income generated by commercial assets	
Risk Owner	Nigel Howcutt
Portfolio	Finance & Resources
Risk Description	Failure to optimise income generated by commercial assets
Comments	At quarter 3 Commercial Property is achieving a budget surplus of circa £600k, and overall occupancy is at circa 95% achieving pre Covid performance levels. The government's Covid moratorium running to March 2022, prevents any formal legal debt collection or evictions, which means although debt is being raised and reminders issued the council has no legal challenge to assist in debt recovery. The debt levels have increased as a result but they are still within in-year projected levels. When the moratorium ceases the service will need to work closely with these businesses to achieve the best outcome all round. Present levels of affordable payment plans in operation are already twice the pre-covid levels.

Controls & Assurances	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 occurring reducing from a score of 4, which is shown in the Residual Probability (i.e. after controls implemented) being a 3. 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 In Phase 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.
Evidence Risk is being managed	In 2018/19 the commercial property service achieved occupancy of 96.2% with rent arrears of only 5%. This performance is above the targeted KPI levels and well ahead of commercial expectations. This was followed by another strong yearly performance in 19/20, with occupancy above 96% and arrears below 7%. In 20/21 the occupancy level remained strong at 95% with arrears increasing to 15% in 20/21. Arrears are significantly below the market average with some large landowners declaring up to 80% arrears for 20/21.
Consequences / Impacts	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 and Dacorum Delivers. The continuing economic recovery and the difficulties it brings for local businesses increases the likelihood of this risk crystallising.
Variances in General Fund revenue budget	
Risk Owner	Nigel Howcutt
Portfolio	Finance & Resources
Risk Description	Variances in General Fund revenue budget
Comments	A reduction from 3 to 2 in the probability of the General Fund producing a variance in 21/22. Overall risk reduces to 6 from 8, the likelihood of unknown events that create additional in year variances decreases as there is less time for changes in service provision. The general fund variance as at quarter 3 is £130k, equivalent to less than 1% of the net cost of services. There is an expectation that budget holders will improve performance to ensure a balanced budget by year end.

Controls & Assurances	The following controls aim to reduce the probability of 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 incorporating 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 Officers 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 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.
Evidence Risk is being managed	In the last 5 financial years the council has delivered a either a balanced budget or a surplus in regards to financial performance. In 20/21 the pandemic had a significant impact on the council's income generation and hence created a financial pressure. The revised MTFS set up the Economic Recovery Reserve to provide additional medium term support of the council's income generation. This allowed for the 20/21 financial budget pressure to be funded and also supported the medium term financial recovery.
Consequences / Impacts	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. 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.