OPERATIONAL RISK REGISTER

March 2015

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 â?¢ How robust are the assumptions on the estimated duration of the procurement exercise? â?¢ How realistic is the estimated time taken for contractors to deliver the works? â?¢ How realistic are the assumptions on officer availability to manage the project on time? The rationale behind this approach is that an increased	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%. The budget position as at Quarter 3 was reported to Cabinet in February 2015. The report showed that forecast net slippage on the General Fund Capital Programme was low at around 3%. Forecast slippage on the HRA Capital Programme has, however, increased significantly since the Quarter 2 forecast, at around 25%.

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.	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: â?¢ Capital Strategy Steering Group (CSSG) comprising senior officers from across the Council required to challenge new bids for robustness ahead of recommendation to Members; â?¢ Monthly meetings take place between accountants and budget holders to monitor progress against original timeframes and costs; â?¢ Corporate Management Team (CMT) receive a monthly report on the progress of capital projects against anticipated timeframes; â?¢ Performance Group comprising Chief Officers and cabinet Members receive a monthly report on the progress of current projects; â?¢ 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.	The Provisional Outturn was reported to Cabinet in may 2015. The report showed that slippage against the full year budget on the General Fund Capital Programme was around 10%. Outturn on the HRA shows slippage of around 24%. These are addressed in more detail in the sign-off notes, below.

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Sign Off and Comments
Sign Off Complete The Provisional Outturn report submitted to Cabinet in May 2015 details the net slippage position for both the General Fund and the HRA. A link to this report is as follows: http://www.dacorum.gov.uk/docs/default-source/council-democracy/cabinet-26-05-2015-2014-15-provisional-outturn-(pdf-cabinet-may-15-final.pdf?sfvrsn=0 The General Fund net position for 2014/15 is around 10% slippage, which represents a significant improvement on the 30% achieved in 2013/14. In the context of this risk, i.e. 'delays to the capital programme', the annually reducing slippage indicates that the Council is becoming more proficient in terms of the planning and delivery of its capital projects. The 25% forecast slippage within the HRA capital programme, identified in the same Cabinet report, equates to a slippage value of around £8.25m. Whilst this is high, it should be noted that around £7m is due to two new build projects, including a significant land puchase. Both of these projects were well underway at year-end, and the land purchase is now complete, the slippage arose through minor timing differences rather than major delays. On this basis, there is no reason to believe that there is a generally increased risk of delays within the HRA capital programme. On the basis of this analysis I believe that the chance of this risk crystallising is not substantially different to the last quarter, and therefore I have retained the same Residual Risk Score.

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	2 Unlikely	2 Medium	4 Green

Consequences	Current Controls	Assurance
Accurate, well-controlled budgeting relates directly to the achievement of the Dacorum Delivers corporate	The following controls aim to reduce the probability of there being a variance in the General Fund Revenue	The Council’s budgetary controls are assessed each year by Internal Audit. In January 2013, the Council received

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.	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 budget holders, which underpin monthly reports to CMT	a 'Full' level of assurance. A further Internal Audit on the Council's budgeting process, undertaken in September 2014, resulted in a '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 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. An Internal Audit report on the Council's 'Main Accounting' function was presented to Audit Committee in February 2015, in which a 'Full' level of assurance was awarded. This audit covered a range of areas including integrity of transactions, manual adjustments, and year-end procedures. All of these areas contribute to the accuracy of the in-year monitoring reports that the Finance team is able to produce. Consequently, Members can draw assurance from this audit opinion that the chances of this risk crystallising are reduced by the robust financial management procedures the Council has in place.

	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

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The Provisional Outturn position reported to Cabinet in May 2015, showed that the controllable elements of the General Fund revenue budget were underspent by £450k, which equates to 2%. A link to the report is below:

http://www.dacorum.gov.uk/docs/default-source/council-democracy/cabinet-26-05-2015-2014-15-provisional-outturn-(pdf-cabinet-may-15-final.pdf?sfvrsn=0

There are a range of smaller variances that contribute to this high level net variance. The report on the link above outlines these for Members in more detail.

In terms of this risk, an overall variance of 2% represents an improvement on previous years, which indicates that the Council's budget-setting process is continuing to improve. We have sought to strengthen this process further by ensuring that the Services which contributed to the underspend in 2014/15 have been more closely monitored during the budget setting for 2015/16, and, where appropriate, have had their budgets adjusted to reflect the 14/15 position.

On the basis of the low variance for 2014/15, and the additional information it has provided to help reduce the variance further in 2015/16, I have reduced the probability of this risk crystallising from a 3 to a 2; i.e. from 'Likely' to 'Unlikely'. It will continue to be reviewed on a quarterly basis and amended at a later date if required.

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 and Dacorum Delivers. The continuing recession and the difficulties it brings for local businesses increases the likelihood of this risk crystallising.	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 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.	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%). The year-end performance figures for 2014/15 demonstrate an occupation rate of 98.3% against a target of 95%. The level of arrears is at 6.5% against a target of 9.5%.

Sign Off and Comments

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As at March 2015, KPIs CP01 and CP02 are both ahead of target, with occupation levels at over 98% and the level of arrears at 6.5%. This indicates that the controls in place are effectively mitigating this risk. The current risk ratings are appropriate and I have retained them for the next quarter.

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

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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		These controls are implemented to ensure that the Council is adequately prepared and able to continue 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: 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**

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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 leading to increased budget pressures. Financial risk in relation to business rate retention scheme if rates collection falls below government set baseline.	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 – 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.	The full year Council Tax Collection Rate for 2013/14 (Performance Indicator RBF05) was 97.7% against a budget of 97.5%. The full year Business Rates collection rate in 2014/15(Performance Indicator RBF04) was under budget at 98.1% against a target of 99%.

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The Council's KPIs RBF04 and RBF05 (see Appendix A) indicate that for both Business Rates and Council Tax, collection rates in 2014/15 matched those achieved in 2013/14.

For Business Rates the actual performance of 98.1% collection was below the target of 99%.

Over the first quarter of 2015/16 there will be additional analysis of the Business Rates collection patterns throughout 2014/15 to ensure that problem payers are identified sooner and that action can therefore be taken more quickly. There is also work underway to make the process of interacting with the Council on the subject Business Rates more user-friendly. In particular, this involves a project to increase communication through the website which ultimately enable the faster exchange of information and, therefore, improved collection rates.

On this basis, I have retained the exisiting risk rating for Quarter 1 of 2015/16. However, this will be revisited at the end of the first quarter in light of the progress of these initiatives and collection rates over the early months of the year.

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	3 Likely	2 Medium	6 Amber

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 delays or errors in the processing of claims. Significant reputational risk associated with high-profile errors.	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	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. Performance for the full year 14/15 was 22.9 days, which was within the target of 23 days for the first time. This represents an improvement of 4.5 days over the

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.	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 improved performance over the last 6 months.	27.4 days average in 2014/15, and an improvement of 9.9 days against the 12/13 result of 32.8 days. It should be noted that these improvments have been achieved without additional resource. It has purely been the result of improved process design and increased efficiency.

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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 24.6 days for the quarter against a target of 23 days. This represents an improvement of 2 days over the last quarter. However, it represents a drop in performance against the corresponding quarter in 2013/14 of 4.4 days.

There was an IT issue in March, which meant that no claims could be processed for 2.5 days, that had a direct impact on performance over the last quarter.

Whilst this is a disappointing result the underlying trend is for improved performance with the full year average being 22.9 days - an improvement of 4.8 days over last year, and of 9.9 days over the year before that.

At the time of this update, the average time taken to process a claim during April 2015 was 21.2 days, whcih suggests that performance for next quarter is on track to achieve target.

On the basis of the underlying trend of improvement over the last two years; the fact that there was a known one-off IT issue in the last quarter which negatively affected performance; and performance in April being back within target, I have not increased the risk score despite last quarter's below-target performance.