

LG Group Executive – 19 May 2011

## LG Group Strategic Risk Register – Update April 2011

## Corporate Risks Summary

Ref	Type	Description	Last quarter score	This quarter score	Movement	Review date
S1	Finance	Significant reduction in core funding and other sources of income	12	12	↔	May 2011
S2	Leadership	Ineffective leadership at political and senior management level	9	9	↔	July 2011
S3	Reputation	- Making the case for devolution - lobbying objectives not achieved - Sector self regulation - not supported by councils, lacks credibility with Government	12	12	↔	May 2011
S4	Shared Service Contract	Failure or ineffectiveness of shared service contract (Liberata)	4	4	↔	July 2011
S5	Transition	Delivery of support to councils is adversely affected during the transition to a smaller, more integrated organisation	9	9	↔	Monthly
S6	LG Group pension deficit	The Group's pension deficit significantly outweighs its assets	20	15	↓	June 2011

Symbols ↔ ↑ ↓

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Ref	Risk	Cause and effect	Inherent risk	Controls	Residual risk	Further Actions to improve mitigation	Owner/ Date
	Strategic		I L 5 → 1 5 = high		I L 5 → 1 5 = high		
S1	<b>Finance</b>  Significant reduction in core funding and other sources of income	<b>Causes</b> - RSG funding reduction - Membership withdrawal - Fee income reduces - Loss of government grants and contracts  <b>Effects</b> - Reduced service quality - Slower response time - Change to business model (may be positive) - Change to delivery model. - Increased focus/efficiency	5 5	- RSG prospectus submitted to secure top-slice funding - Account management in place - Member benefits/sanctions identified and communicated - Active engagement with councils on notice to withdraw membership - Effective budget planning and management - LGA subs strategy has taken account of general financial climate for councils, with a view to winning their support	4 3	- Work underway to secure additional government grants/improvement funding  - Fundamental redesign of our services and the organisational arrangements to deliver this  - Further work on member benefits/sanctions  - Product development and income generation strategy	RW – 1 <sup>st</sup> quarter 2011/12  JR – 1 <sup>st</sup> quarter 2011/12  CH- April 2011  RW/DA – 1 <sup>st</sup> quarter 2011/12

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	Strategic		I L 5 → 1 5 = high		I L 5 → 1 5 = high		
S2	<b>Leadership</b>  Ineffective leadership at political and senior management level	<b>Causes</b> - Leadership unable to adapt and respond in time to changes in financial and political environment - Leadership arrangements too complex - Inability to reach group-wide consensus - Change of political and managerial leadership over the coming year  <b>Effects</b> - Agreement on key group and strategic issues not reached - Lack of vision and focus - Business objectives not achieved - Loss of influence - Negative impact on morale	5 3	- New governance arrangements for the Group to strengthen joint working - Agreed priorities for the LG Group set out in Group Business Plan - Policy priorities and lobbying positions developed through the member structures, with Leadership Board, LG Group Exec and the Programme Boards - Processes to decide on new political and managerial leadership	3 3	- Change management process, to achieve further integration and streamlining of the LG Group's operations, and more focused leadership and management  - LG Group strategy and business plan developed for 2011/12 onwards, informed by work with members on priorities at LG Group Exec and the Programme Boards	JR – 1 <sup>st</sup> quarter 2011/12  HP – May 2011

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	Strategic		I L 5 → 1 5 = high		I L 5 → 1 5 = high		
S3	<b>Reputation</b>  Loss of reputation with stakeholders.  Lobbying objectives not achieved around devolution; sector self-regulation not supported by councils and lacks credibility with Government	<b>Causes</b> - Political context less settled – more difficult to achieve consensus - LG Group gets “big things” wrong with regard to local government’s reputation - Failure to deliver key lobbying objectives on devolution for local government - Councils do not actively support sector-led regulation  <b>Effects</b> - Loss of business - Members withdrawing. - Loss of income and core funding - Lack of credibility with Government	5 3	<ul style="list-style-type: none"> <li>- Clear priorities agreed and kept under review through the business planning process, and on-going work with members at the LGA Group</li> <li>- LG Group held to account on delivery of business plan through performance management process</li> <li>- LG Group achievements communicated regularly through “Start the Week”, “Rob’s Round-up” etc</li> <li>- Regular consultation on key developments</li> </ul>	4 3	<ul style="list-style-type: none"> <li>- Further work with members to establish lobbying positions and priorities post CSR</li> <li>- Lobbying strategy developed for devolution and decentralisation</li> <li>- Strategy for sector self-regulation being developed with councils</li> <li>- Change management process in moving to the new organisational arrangements, to focus on delivering priority services</li> <li>- Revised plan for communicating with member councils on benefits of membership and to ensure systematic engagement</li> <li>- Contingency plans for managing key reputational issues for the sector</li> </ul>	SJ – May 2011  JM/PR – May 2011 RW – 1 <sup>st</sup> qtr 2011/12 JR – 1 <sup>st</sup> qtr 2011/12  JM – May 2011  JM – 1 <sup>st</sup> qtr 2011/12

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	Strategic		I L 5 → 1 5 = high		I L 5 → 1 5 = high		
S4	<b>Shared Service Contract</b>  Failure or ineffectiveness of shared service contract (Liberata)	<b>Causes</b> <ul style="list-style-type: none"> <li>- Unforeseen event triggers contract failure.</li> <li>- Contract not fit-for-purpose.</li> <li>- Ineffective client side</li> <li>- Inability to make collective agreements.</li> <li>- Non compliance with statutory and regulatory requirements.</li> <li>- Lack of service availability</li> <li>- Quality and performance of service delivery fails to meet client's standards.</li> </ul> <b>Effects</b> <ul style="list-style-type: none"> <li>- Increased costs or inability to make cost reductions.</li> <li>- Negative impact on reputation</li> <li>- Inability to make changes</li> <li>- Customer dissatisfaction</li> </ul>	5 3	<ul style="list-style-type: none"> <li>- Governance arrangements in place – Programme Board, Contract Management Board, Contract manager</li> <li>- Liberata performance against KPIs monitored</li> <li>- Client-side team review day-to-day performance on the contract</li> <li>- Annual customer surveys</li> <li>- Exit management plan in place should the contract terminate, setting out how services would be transferred back to the LG Group or another supplier</li> </ul>	4 1	<ul style="list-style-type: none"> <li>- Formal and permanent client-side arrangements in place as part of LG Group re-organisation</li> <li>- Harmonisation and integration of business management processes across the Group, thereby strengthening client-side operations</li> <li>- Review of contract as we move to a smaller organisation</li> </ul>	JR – 1 <sup>st</sup> qtr 2011/12  SJ – 1 <sup>st</sup> qtr 2011/12  JR – May 2011

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S5	<b>Transition</b>  Delivery of support to councils is adversely affected during the transition to a smaller, more integrated organisation	<b>Causes</b> <ul style="list-style-type: none"> <li>- Low employee morale</li> <li>- Lack of clarity and focus</li> </ul> <b>Effects</b> <ul style="list-style-type: none"> <li>- We do not retain key employees</li> <li>- Not clear about the direction of travel</li> </ul>	5 5	<ul style="list-style-type: none"> <li>- Regular internal communications on progress with Getting Closer</li> <li>- Regular meetings with union representatives</li> <li>- Focus on priority offerings and services as set out in the RSG prospectus</li> <li>- Voluntary severance scheme launched</li> <li>- Transition Team set up to advise on communication</li> <li>- Group SMT reviewing and responding to employee consultation feedback</li> </ul>	3 3	<ul style="list-style-type: none"> <li>- Senior manager leadership of and engagement with the change management process</li> <li>- Active management of the transition to a smaller organisation</li> </ul>	All – 1 <sup>st</sup> qtr 2011/12  All – 1 <sup>st</sup> qtr 2011/12
S6	<b>LG Group pension deficit</b>  The Group's pension deficit significantly outweighs its assets	<b>Causes</b> <ul style="list-style-type: none"> <li>- LGA and central body pension liabilities not fully funded</li> </ul> <b>Effects</b> <ul style="list-style-type: none"> <li>- Significantly increased pension costs in future years</li> <li>- Going concern issues</li> </ul>	4 5	<ul style="list-style-type: none"> <li>- Current pension contributions take account of latest actuarial valuations to reduce deficit, although not to a significant extent in the short term</li> </ul>	5 3	<ul style="list-style-type: none"> <li>- Increase payment in accordance with revised deficit reduction arrangements</li> <li>- Build reducing the pension deficit into the Group's financial strategy</li> </ul>	SJ – April 2011  SJ – 2011/12 onwards

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**Risk Matrix** - the following chart shows where, and what colour the risk will fall in to dependant on the scores. Red being the most severe and green being the least. The scores within the chart are multiples of the likelihood and impact,

For example (Likelihood of) **2** x (Impact of) **4** = (Risk score of) **12**

		Projected likelihood		
X		Low (1)	Medium (3)	High (5)
Potential impact	Very high (5)	significant focus and action - 5	urgent focus and action - 15	immediate focus and action - 25
	High (4)	management effort worthwhile - 4	manage and monitor - 12	significant focus and action - 20
	Medium (3)	accept but monitor - 3	management effort worthwhile - 9	manage and monitor - 15
	Low (1)	accept but monitor - 1	accept but periodically review - 3	accept but monitor - 5

What the colours mean (as a guide):

- Red - Urgent actions required to reduce ratings
- Amber - Actions required to manage and monitor ratings
- Yellow - Actions required to monitor ratings
- Green - Actions required to maintain ratings