

May 2021

2021/22 Board Strategic Risk Workshop

Data Classification: Official
V.07 FINAL

Objectives

No.	Objective	Slide/s
1	Review and approve the year end 20/21 Strategic Risks	3
2	Review and approve the overarching risk appetite statement for 21/22.	5
3	Review and approve the Strategic Risks for 21/22 (including ratings, appetite position)	8 - 11

Assumptions

- The risks, ratings, causes and consequences and actions are based on opinion / roll over from year end 20/21 and submitted bow ties which were completed by the Executive team.
- The proposed risk ratings and risk appetite positions, including supporting rationales are included in slides 11 and 12. These are based the revised risk matrix in line with MoJ guidance (as detailed within the appendix).
- Target risk scores are based on the “targeted” score once all management actions (as stated) have been completed. The target score, along with other risk ratings should be reviewed ongoing as actions are completed / new actions created.

For noting

- Work is underway to define quantitative risk appetite measures and tolerances to enable better articulation and reporting of measurable risk performance, this will be shared for discussion and approval in Q2 21/22.
- A review of LeO’s risk matrix is also underway to aid both consistency and justification for risk scoring however the ratings have been reviewed in line with the heat map as shown in the appendix.

1. 20/21 Strategic risks closing position

Risk Ref	Risk Title	Residual Risk Score	Trend*	Update	Risk Ref	Risk Title	Residual Risk Score	Trend*	Update
S01	Lack of resilience at a senior level	16	→	No Change, additional planned mitigations are in place to help address this risk over the coming months with consideration to Organisational Design. Ongoing management actions and due consideration with this to be given in line with 21/22 Strategic Risks Review.	S05	Levels of staff engagement diminish	12	→	No change, programme of activity still being developed in line with people plan. Ongoing management actions and due consideration with this to be given in line with 21/22 Strategic Risks Review.
S02	Loss of stakeholder confidence in effective organisational leadership	9	↓	Risk has reduced following the agreement of the budget, business plan and agreed data set for the upcoming financial year.	S06	Lack of customer confidence in LeOs ability to provide effective redress	16	→	No change, case volumes, delays and external perception remain outside of tolerance. Various actions are in place to address including i) People plan, ii) Process synergies and iii) Review of Organisational Design. Ongoing management actions and due consideration with this to be given in line with 21/22 Strategic Risks Review.
S03	Coronavirus pandemic impacting on the operation of LeO	6	↓	Risk has continued to decrease following more positive outlook in line with recent changes to Government guidelines and continued embedment of new ways of working both internally and with service providers.	S07	Failure to secure increased budget for 21/22	N/A	↓	Risk has now closed following agreement of 21/22 budget.
S04	Inability to spend within the 20/21 budget	N/A	↓	Risk has now closed, year end financial reports are currently being concluded however there is an estimated underspend of c. 100k which is within a tolerable limit.					

2. 2021 / 22 Strategic Risks - Background

The OLC's risk strategy requires the Exec and subsequently the Board to consider, challenge and agree the risks that could hinder or prevent the achievement of the strategy as outlined in the business plan (extract below)

Vision: Our work builds genuine confidence in legal services in England & Wales

Mission: To be an independent and impartial ombudsman service providing reassurance and redress while constructively challenging the legal sector to improve.

Strategic Objective

- Improving the experience of our service for complainants and service providers while using our expertise to guide and add value to the complaints journey.
- Increasing the transparency and impact of our casework to support greater access to justice.
- Developing our service to ensure it is appropriate for the evolving legal sector.

Business Plan priorities 21/22

- 1: Support existing staff to increase performance and productivity.
- 2: Identify innovation opportunities that speed up the complaints process.
- 3: Focus learning and insight work on providers who require support to prevent and resolve complaints.

For each strategic risk there is also a requirement to agree the risk appetite position (the level of risk we are prepared to accept).

2.1 Proposed overarching risk appetite statement for 2021/22

The below statement is being proposed and will provide guiding principles in our approach to managing risk in line with our Strategic objectives for this year.

“The Office for Legal complaints (OLC) has an overarching cautious risk appetite approach. We have a cautious approach to increase transparency and to addressing the risks that could impact on LeO's ability to meet service demand whilst developing the service to ensure it's appropriate for the scheme's customers and stakeholders within the legal sector. We also have a cautious risk appetite approach to meet the transformational agenda and a minimalist risk appetite approach for financial risk”.

3.1 Scene setting - Questioning our Strategic Risks

Governance

- Is our vision and mission the focal point of decisions?
- Do we have strong, clear controls and clear escalation routes in place?
- Are all our internal processes efficient?
- Do our people get what they want, in the right way, in a timely manner?

Operational Risk (people, process, systems or external events)

- Do employees trust leader decisions?
- Are we measuring results consistently?
- Are processes efficient and logical?
- Are our methods delivery of instructions consistent across the business?

Competitive

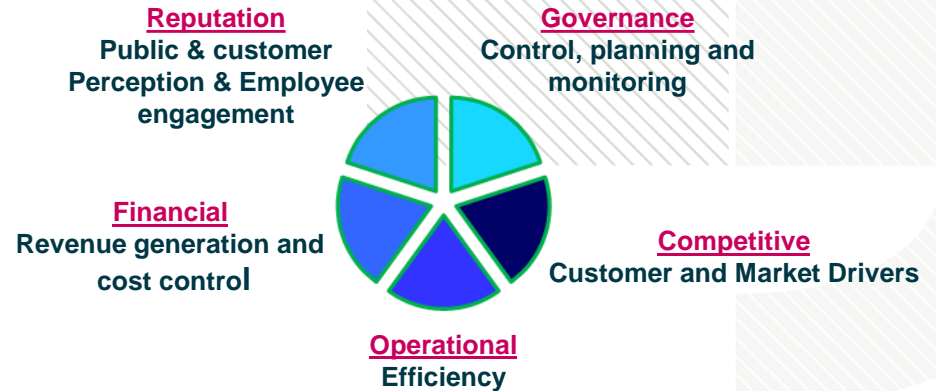
- Do people trust us both internally and externally?
- Do rules make logical sense?
- Do we set SMART clear goals and objectives?
- Do we have clear policies, guidance and instructions which are consistently applied and governed?
- Does every member of staff have the skills and knowledge to do their job?

Financial

- Do we utilise our finances appropriately ensuring we challenge ourselves when decisions are made against “getting value for money”
- Have we got adequate controls over our Finances?
- Do we continually review, systems and processes to ensure financial outcomes (return on investment) are being met?
- Do we routinely complete root cause analysis to ensure lessons learnt are recorded and addressed?

Reputation

- Do all our stakeholders both internally and externally know our strategic objectives?
- Do we welcome bad news and face it directly?
- Do we have an appropriate external feedback loop?
- Do we have an appropriate staff feedback loop (including staff exits) e.g. you told us x so we did y?
- Do we know what motivates our staff e.g. pay and reward / incentives?



7.1 Appendix - Risk matrix guidance

1	No (or very limited) impact to LeO's business or reputation, or to any individual customer or stakeholder		Likelihood
2	Minor impact on LeO's reputation (or that of any customer or stakeholder) or very short-term (hours) inconvenience to LeO's business	1	0-5% Very unlikely
3	Moderate impact to LeO's reputation (or that of any customer or stakeholder) or a moderate inconvenience (days) to LeO's business	2	6-20% Unlikely
4	Significant impact to LeO's reputation (or that of any customer or stakeholder) or a significant inconvenience (weeks) to LeO's business	3	21-50% Possible
5	Severe impact to LeO's reputation (or that of any customer or stakeholder) or a significant inconvenience (months) to LeO's business	4	51-80% Probable
		5	81%- 99.9% Almost certain

Impact scale (Potential 12 months cumulative)	5	Catastrophic	5	10	15	20	25
	4	Major	4	8	12	16	20
	3	Moderate	3	6	9	12	15
	2	Minor	2	4	6	8	10
	1	Insignificant	1	2	3	4	5
		LIKELIHOOD SCALE					

Target risk position

- The current risk position represents where the risk is now given the controls and activities you have in place to manage it.
- The target risk position represents where you would like your risk to get to once all of your planned activities are complete. This represents your tolerance position.

Note – the risk matrix in line with MOJ direction has now changed therefore the following matrix colour scheme is to be used going forward.

7.2 Appendix - Risk appetite guidance

	Averse	Minimal	Risk Appetite Cautious	Open	Eager
Financial	Avoidance of any financial impact or loss, is a key objective.	Only prepared to accept the possibility of very limited financial impact if essential to delivery.	Seek safe delivery options with little residual financial loss only if it could yield upside opportunities.	Prepared to invest for benefit and to minimise the possibility of financial loss by managing the risks to tolerable levels.	Prepared to invest for best possible benefit and accept possibility of financial loss (controls must be in place).
Operations	Defensive approach to operational delivery - aim to maintain/protect, rather than create or innovate. Priority for close management controls and oversight with limited devolved authority	Innovations largely avoided unless essential. Decision making authority held by senior management.	Tendency to stick to the status quo, innovations generally avoided unless necessary. Decision making authority generally held by senior management. Management through leading indicators.	Innovation supported, with clear demonstration of benefit / improvement in management control. Responsibility for non-critical decisions may be devolved.	Innovation pursued – desire to 'break the mould' and challenge current working practices. High levels of devolved authority – management by trust / lagging indicators rather than close control.
Reputational	Zero appetite for any decisions with high chance of repercussion for organisations' reputation.	Appetite for risk taking limited to those events where there is no chance of any significant repercussion for the organisation.	Appetite for risk taking limited to those events where there is little chance of any significant repercussion for the organisation.	Appetite to take decisions with potential to expose organisation to additional scrutiny, but only where appropriate steps are taken to minimise exposure.	Appetite to take decisions which are likely to bring additional governmental / organisational scrutiny only where potential benefits outweigh risks.
Legal	Play safe and avoid anything which could be challenged, even unsuccessfully.	Want to be very sure we would win any challenge.	Want to be reasonably sure we would win any challenge.	Challenge will be problematic; we are likely to win and the gain will outweigh the adverse impact.	Chances of losing are high but exceptional benefits could be realised.
Commercial	Zero appetite for untested commercial agreements. Priority for close management controls and oversight with limited devolved authority.	Appetite for risk taking limited to low scale procurement activity. Decision making authority held by senior management.	Tendency to stick to the status quo, innovations generally avoided unless necessary. Decision making authority generally held by senior management. Management through leading indicators.	Innovation supported, with demonstration of benefit / improvement in service delivery. Responsibility for non-critical decisions may be devolved.	Innovation pursued – desire to 'break the mould' and challenge current working practices. High levels of devolved authority – management by trust / lagging indicators rather than close control.

Note: Risk appetite positions as defined by the orange book.