Risk Management Strategy

1. Policy Statement

1.1. Introduction

The Legal Services Board (LSB) performs its statutory duties and undertakes a programme of work to achieve its objectives. The delivery of these statutory duties and work programme inevitably takes places in an environment of some uncertainty which poses threats and opportunities. Risk is the effect of uncertainty on objectives.

The Risk Management Strategy (the Risk Strategy) is the approach the LSB takes to managing its risk.

The Corporate Risk Register is the tool that enables the LSB to manage its risk in a dynamic and proportionate way.

1.2. Principles

The following principles govern the Risk Strategy:

- The Board owns the Risk Strategy, sets the appetite, and influences the culture of risk management. The Executive are the risk owners.
- Risk identification is an ongoing process for which there is a collective responsibility.
- Risks are evaluated so that they can be prioritised with an appropriate response developed.
- Risks are managed to a level that is tolerable, consistent with our risk appetite.
- Risks owners are held accountable through the regular reporting of risk.

1.3. Responsibilities

Risk management is an ongoing process within the LSB and there is a collective responsibility for the identification of risk throughout the organisation. Specific responsibilities at different levels are as follows:

- ***The Board*** owns the Risk Strategy, sets the tone, and influences the culture of risk management. The Board reviews the Corporate Risk Register every six months, usually in July and November each year.
- ***The Audit and Risk Assurance Committee (ARAC)*** reviews the Corporate Risk Register on behalf of the Board three times a year to ensure the effective implementation of the Risk Strategy. ARAC provides assurance to the full Board and the executive that the LSB's approach to risk management is robust.

- ***The Chief Executive,*** as Accounting Officer of the LSB, is ultimately accountable to the Board for the management of risk
- ***The Director, Enabling Services*** is responsible for ensuring that the risk management strategy is embedded across the organisation on a day to day basis.
- ***The Senior Leadership Team (SLT)*** is responsible for risks within their area of responsibility. SLT members collectively review Corporate Risk Register in full and the top programme and operational risks at monthly SLT meetings. The SLT also reviews the ORR twice a year.
- ***The Corporate Governance Manager*** advises colleagues on risks, facilitates the reporting of risk, and maintains the Corporate Risk Register.
- ***Managers*** manage the risks for their projects, workstreams and operations via risk registers.

1.4. Risk training

New colleagues are given risk training by the Corporate Governance Manager as part of the induction process. Refresher training is provided for all colleagues annually. The Corporate Governance Manager is also available at all times to provide advice, guidance and ad-hoc training.

2. Risk Management Process

There are four stages of risk management:
- identification
- evaluation
- response
- reporting and monitoring.

2.1. Identification

Risk identification is an ongoing process for which there is a collective responsibility.

Risk identification is an ongoing process within the LSB. There is a collective responsibility for the identification of risk throughout the organisation, as well as regular assessment at SLT, Programme Board, team meetings and 1-1s.

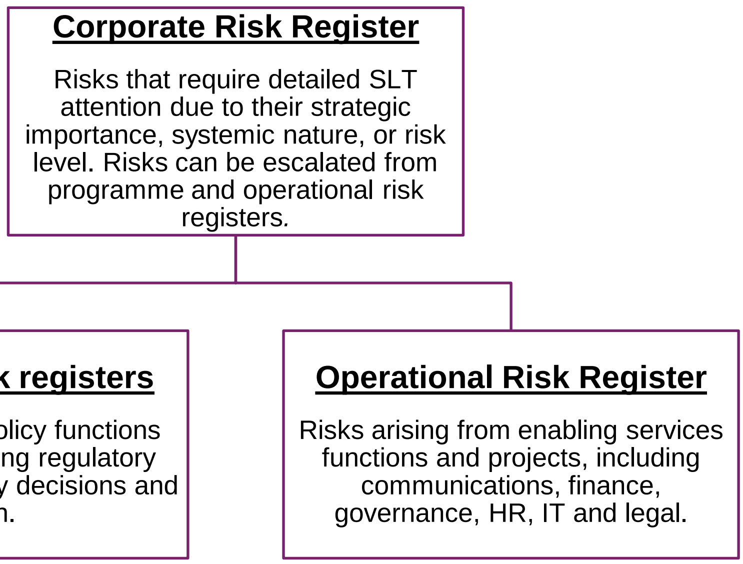
For a risk to be included in the register it should usually (but not necessarily always) meet the following criteria:
- Is this risk sufficiently serious that it would benefit from being regularly reviewed at a senior level?
- Is it within the LSB's power to mitigate this risk to some extent?
- Does it affect the LSB's (or team's if its operational or project) ability to meet its objectives?

Horizon scanning sessions to identify risks are held regularly at SLT, Programme Board, team meetings and 1-1s. There are also horizon scanning sessions at each meeting of the Audit and Risk Assurance Committee and annually at the Board. Horizon scanning sessions are informed by a variety of intelligence sources including but not limited to:

- The CEO's reports to the Board
- News cuttings
- Auditors' reports
- MoJ / Cabinet Office reports and meetings
- Changes to other regulated markets
- Stakeholder discussions

Identified risks are recorded in the relevant risk register on a priority only basis. Risks that are likely to only be on the register for a short time are still captured whereas remote or minor risks are not recorded.

The LSB has three types of risk register.



Programme risk registers are reviewed regularly at Programme Board and during team meetings. Operational risks are reviewed at dedicated meetings and horizon scanning sessions. If a risk is considered sufficiently critical (a red score) then it will be automatically considered for inclusion in the Corporate Risk Register at the next SLT session.

Illustrative example: A risk on the Operational Risk Register concerning poor inbox management across the organisation needs its scores revising. An auto-deletion deadline is approaching and the likelihood of corporate memory loss due to poor filing increases. This now raises the risk score above the critical threshold. This risk will be escalated to SLT for consideration for inclusion in the Corporate Risk Register.

When a risk is identified that also impacts or involves the Ministry of Justice (MoJ), the Office for Legal Complaints (OLC) or the regulators, in so far as is possible, we will work with the respective organisation and ensure that all parties understand their roles and responsibilities.

2.2. Evaluation

Risks are evaluated so that they can be prioritised with an appropriate response developed.

Risk evaluation is concerned with assessing the ***impact*** and ***likelihood*** of a risk on both an ***inherent*** and ***residual*** basis. The LSB scores its risk based on the following tables.

- ***Impact*** of a risk is scored by the effect of the risk consequences

Score		**Description**
1	Minor	Barely any discernible effect on delivery of plan/services
2	Low	Small delay or non-critical changes to delivery of plan/services
3	Moderate	Some need to reassess/reschedule delivery of plan/services
4	Serious	Significant change necessary to the delivery of plan/services
5	Severe	Plan/service delivery failure

- ***Likelihood*** of a risk is scored by the chance that the risk occurs

Score		**Description**
1	Remote	The risk may occur in exceptional circumstances
2	Possible	The risk may (probability less than 50%) occur
3	Likely	The risk is likely (probability 50%-80%) to occur
4	Expected	There is an 80% or greater possibility that the risk will occur
5	Materialised	The risk has materialised and is now an issue

- ***Inherent risk*** is the risk score (impact and likelihood) given the current environment before the risk management response. This score can be used to prioritise newly identified risks and reveal how reliant we are on our mitigating actions.

- ***Residual risk*** is the risk score (impact and likelihood) that remains after our mitigating actions. This score is a measure of the current level of risk and determines the overall status of the risk.

The guidance on completing the Corporate Risk Register is available at Annex B. It provides a key for impact and likelihood scores, effectiveness of mitigating actions, lines of defence and the score conversation chart for risk appetite. There is also a template for the Corporate Risk Register with guidance on how to complete it.

2.3. Response to risk

Risks are managed to a level that is tolerable, consistent with our risk appetite.

The LSB does not seek to eliminate all risks. Resources are finite, and it is necessary to take some risks in order to achieve objectives. Risk appetite is the level of risk that the LSB is willing to tolerate to achieve its objectives. The Board sets the appetite for the LSB across different categories as outlined at Annex A.

Where the Board determines that a risk exceeds its appetite, it puts in place a strategy to mitigate the risk that will include one or more of the following elements:

- ***Preventing*** the risk from occurring by doing things differently.
- ***Reducing*** the impact or likelihood of the risk by taking mitigating actions.
- ***Transferring*** the impact of a risk to a third party, for instance via an insurance policy or penalty clause.
- ***Contingency planning*** so that should the risk occur, actions are planned and organised to come into force.
- ***Accepting*** the risk to pursue an opportunity or because the risk is small.

Risks are managed to within our appetite for each risk area. Where the residual risk is below our risk appetite level, it might indicate that a disproportionate amount of resources is being used to respond to the risk that could be better used elsewhere. For actions to be tracked and the executive to the be held accountable, mitigating actions must be captured in a sufficiently ‘SMART’ manner.

Once a risk is within appetite for more than one review cycle it should be considered for removal from the Register unless a decision has been taken to keep it on until all recorded mitigating actions have concluded.

2.4. Reporting and monitoring

Risks owners are held accountable through the regular reporting of risk.

Risks are regularly reported and monitored at all levels as per the following table. If a risk materialises, it becomes an issue. Live issues continue to be managed via the appropriate risk register and reported on via the appropriate channel unless agreed otherwise.

Risk reporting and monitoring schedule			
	Management Group	**Schedule**	**Procedures**
Corporate Risk Register	SLT	Monthly	The SLT reviews the Corporate Risk Register monthly, updating existing risks, identifying new risks, and removing risks as appropriate. The Corporate Risk Register is a standing item at meetings. At each meeting, the SLT reviews and assesses each risk as a collective.
	ARAC	Three times a year	The ARAC reviews the full Corporate Risk Register at each of its meetings (three times a year) to ensure risks are managed effectively and in accordance with the Risk Strategy. The ARAC also reviews the Risk Strategy annually. ARAC provides assurance to the full Board and the executive that the LSB's approach to risk management is robust.
	Board	Twice a year	The Board reviews the full Corporate Risk Register twice per year and reviews the Risk Strategy annually. The Board also reviews the top corporate risks via quarterly performance reports.
	MoJ	Quarterly	The MoJ reviews the top corporate risks via quarterly performance reports. MoJ representatives also attend ARAC meetings, where the full review of the Corporate Risk Register takes place.
Programme risk registers	Programme Board	Monthly	Project managers maintain dedicated risk registers for their projects. This gets reported to monthly Programme Board meetings via the Programme Highlight Report.
	SLT	Monthly	The SLT reviews the Programme Highlight Report after each Programme Board meeting.

	Board	Quarterly	The Board also reviews the top programme risks via quarterly performance reports.
	MoJ	Quarterly	The MoJ reviews the top programme risks via quarterly performance reports.
Operational Risk Register	Director, Enabling Services & Corporate Governance Manager	Bi-Monthly	Functional leads update the Operational Risk Register monthly. The Director, Enabling Services and the Corporate Governance Manager review the Operational Risk Register monthly.
	SLT	Monthly	The SLT reviews a summary of the operational risks at monthly General Strategy meetings.
	Board	Quarterly	The Board reviews the top operational risks via quarterly performance reports.
	MoJ	Quarterly	The MoJ reviews the top operational risks via quarterly performance reports.

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Risk level	Avoid (1)	Minimal (2)	Cautious (3)	Open (4)	Seeking (5)
Legal	Take the safest route and forego benefits. Avoid anything which could be challenged, even unsuccessfully	Want to be very sure we would win any challenge. Similar situations elsewhere have not been challenged	Some limited tolerance for legal uncertainty. Want to be reasonably sure we would win any challenge	Challenge would be problematic but willing to take it on if the gain (ie clarity/achieving LSB strategic objectives) would outweigh the adverse consequences	Legal challenge a useful tool to test positions and may be actively sought as a means of delivering clarity/pushing boundaries in the interests of the LSB's strategic objectives
Finance		Prepared to accept the possibility of very limited risk to financial resources if essential and delivers certain benefit.			Takes significant risks with financial resource in search of more benefits without firm guarantee
People	Very careful approach to people management. Prefers stability to disruption or challenge. Prefers tried and tested approach	Prepared to permit some disruption and challenge if the change has a proven track record from elsewhere.	Innovation supported, even if this means disruption and challenge; demonstrable improvements in workforce output		Actively eschews traditional structures, processes and practices in favour of the new
Policy	Cautious approach to objectives – aim to maintain or protect rather than create or innovate. Low tolerance for	Innovations avoided unless essential or commonplace elsewhere	Limited innovation undertaken, but grounded firmly in a	Innovation encouraged provided there is reasonable and evidence-based likelihood	Innovation actively pursued – desire to 'break the mould' and challenge current practices. High tolerance for policy failure

	failure in the pursuit of better ways to achieve outcomes		broader foundation of traditional approaches	of commensurate improvements in outcomes	in the pursuit of better ways to achieve outcomes
Governance	Compliance with letter of the law and compliance is valued above all other objectives.	Compliance a priority. Some limited willingness for re-interpretation of rules where objectives clearly jeopardised	Compliance important. Willing to look at different ways of achieving compliance objectives where clear evidence of improvement in outcomes	Compliance valued but secondary to other objectives	Rules re-interpreted freely to maximise impact and effectiveness
Relationships	Strong relationships seen as a valuable objective in itself. Will not take action unsettles relationships or causes or tension	Prioritises smooth relations; maintains a position or an approach only when objectives are seriously threatened	General preference for harmony, but will make views clear where necessary.	Relationships are a means of achieving objectives. Disagreement in relationships is natural and can stimulate a higher quality of decision-making	Actively seeks a range of insights including from those whose views may differ from our own. Confidently expresses considered views in pursuit of our strategic objectives even if we know others will disagree with our position. Encourages debate as a way of achieving outcomes.
Delivery	Eliminate risks to delivery, regardless of the circumstances, constraints, and trade-offs.	Non-delivery is acceptable when other objectives are worth pursuing. Unlikely to change plans, capability, or capacity to pursue delivery.	Delivery is important however reprioritisation can be used if changing circumstances make it necessary. Some flexibility to change plans and develop our capability and capacity to pursue delivery.	Delivery is important but not the ultimate priority. There needs to be strong reasoning before plans are changed or we develop our capability and capacity to pursue delivery.	Delivery is the ultimate priority. Change plans and develop our capability and capacity to pursue delivery as far as possible. Limited scope for non-delivery in exceptional circumstances.

Finance	Cautious (3)	Will accept some risk to financial resources. Resources generally restricted to existing, essential commitments, but some low-risk, non-essential opportunities taken if compliant with the spending control framework.
People	Open (4)	Alternative approaches pursued in order to challenge and change current practices and achieve improvements in workforce output and engagement - even if this results in a short term reduction in staff morale
Policy & Legal	Open (4)	Innovation encouraged provided there is reasonable and evidence-based likelihood of commensurate improvements in outcomes. Legal challenge would be problematic but not enough to automatically stop the agreed course of action.
Governance	Cautious (3)	Compliance important. Willing to look at different ways of achieving compliance objectives where clear evidence of improvement in outcomes
Relationships	Seeking (5)	Actively seeks a range of insights including from those whose views may differ from our own. Confidently expresses considered views in pursuit of our strategic objectives even if we know others will disagree with our position. Encourages debate as a way of achieving outcomes.
Delivery	Cautious (3)	Delivery is important. Some willingness to change plans and develop our capability and capacity to pursue delivery. Some scope for non-delivery when faced with difficult circumstances.

Risk Guidance

Risk Register Key

Impact of risk

1	Minor	Barely any discernible effect on delivery of plan/services
2	Low	Small delay or non-critical changes to delivery of plan/services
3	Moderate	Some need to reassess/reschedule delivery of plan/services
4	Serious	Significant change necessary to the delivery of plan/services
5	Severe	Plan/service delivery failure

Likelihood of risk

1	Remote	The risk may occur in exceptional circumstances
2	Possible	The risk may (probability less than 50%) occur
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Volatile risk	Y	Indicates that the risk score could change rapidly with limited or no warning.

Effectiveness of mitigating actions

	Has failed or is currently proving ineffective
	Has so far had no effect but may do in the near future
	Is effective and has, or imminently will, lower the risk score

Lines of defence

1	Operational, day to day action
2	Management and oversight action
3	Internal audit or other quasi-independent oversight/action

Appetite – score conversion chart

Risk appetite score	1	2	3	4	5
Maximum acceptable residual risk	6	9	12	16	20

Risk ID	**Insert risk description**	Residual risk score		Within/On/ Out of Risk Appetite	Estimated date of acceptable risk score
		Max residual risk score acceptable			
		Volatile risk			

Risk element	Which of the LSB's key elements does this risk fall under?						
Risk causes	Insert factors that may contribute to a risk occurring or increase the likelihood of a risk occurring (number sequentially)						
Risk consequences	Insert the outcome(s) or impact(s) of the risk should they occur						
Risk owners	Name of risk owner (should be SLT member)	Risk origin	Horizon scanning? Project register? Board intelligence?				
Timeline	Date risk identified		Date updated		Estimated risk cessation		
Inherent risk rating	Impact		Likelihood		Score		← *Inherent risk is calculated **before** controls or other mitigating factors are in place*

Current mitigation	Led by	Frequency	Source of assurance	Monitoring method and last date reported	Line of defence	Effectiveness
Description of the current controls. This must be something that is currently in place to mitigate the risk. After each mitigation, in brackets state the risk cause(s) (number) that this mitigation addresses	Who is leading delivery on this control?	How often is it performed?	Is there any physical evidence as to whether this control is operating effectively or not? (if not leave blank)	Where is the assurance reported/monitored? Also state the date when this assurance was last reported	Select 1st, 2nd, or 3rd (see guidance)	Make a RAG assessment of effectiveness of current control (see guidance)

Residual risk rating	Impact		Likelihood		Score		← *Residual risk is calculated **after** controls or other mitigating factors are in place*

Upcoming mitigating action	Implementation	Led by	Frequency	Implementation progress	Mitigating effect	Line of defence
Description of the upcoming action or mitigation	When is this due to be implemented? Include start and end dates April – June 2020.	Who will be leading this control?	One-off or ongoing?	What is the progress to date with implementing this control?	What impact will this have in the management/mitigation of this risk?	Select 1st, 2nd, or 3rd (see guidance)