Annex A
Risk Management Strategy

LEGAL SERVICES BOARD

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 once a year, usually in September each year with a focus on priority strategic risks, horizon scanning for new risks, considering risk appetite and risk contagion.
- ***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. This may include a deep dive on

particular risks or the risk of contagion. ARAC provides assurance to the full Board and the executive that the LSB's approach to risk management is robust and reports to the Board on significant points arising from its reviews.

- ***The Chief Executive,*** as Accounting Officer of the LSB, is ultimately accountable to the Board for the management of risk
- ***The Director, Corporate Services*** is responsible for ensuring that the risk management strategy is embedded across the organisation on a day to day basis.
- ***The Senior Leadership Group (SLG)*** is responsible for risks within their area of responsibility. SLG members collectively review Corporate Risk Register in full, and the top programme risks quarterly, including whether there is a risk of contagion.
- ***The Corporate Governance Lead*** advises colleagues on risks, facilitates the reporting of risk, and maintains the Corporate Risk Register. The Corporate Governance Lead will lead on conducting annual training on risk.
- ***The Programme Manager*** is responsible for raising consensus risks for escalation from Programme Board via the monthly programme board update paper to ELT, and via the Quarterly Performance Report to the Board
- ***Managers*** manage the risks for their projects, workstreams and operations via risk registers.

1.4. Risk training

In addition to offering annual training, the Corporate Governance Manager is available at all times to provide advice and guidance.

When relevant, as part of the induction process new policy colleagues are given a risk induction by the Programme Office and Policy Manager to develop and update their individual policy risk registers.

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. Risk identification may arise from Board discussion or a discussion at a sub-committee.

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) ability to meet its objectives?

The corporate risk register will primarily focus on risks which impact on LSB oversight regulation, rather than wider legal sector risks.

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.

Horizon Scanning
The LSB is developing a horizon scanning function to identify emerging risks of consumer detriment to support its intelligence-led approach to regulatory oversight. Its primary purpose at this stage is to support early identification of patterns, trends and potential risks of consumer harm, and to inform where and how the LSB focuses its oversight activity.

Horizon scanning insights will be synthesised into a report on emerging risks and consumer harms, which will feed into the regulatory oversight approach. The reporting will be aligned to the evolving needs of the LSB's regulatory oversight function. Horizon scanning may identify issues that warrant further consideration within formal risk management processes.

Where appropriate, relevant risks will be incorporated into the Corporate Risk Register or programme risk registers where they meet the threshold for active management in line with this strategy. Where the risk is emerging, lower-priority or longer-term it may be tracked separately on the risk register and reviewed periodically to assess whether escalation or further action is required.

Risk contagion
LSB SLG will consider risk contagion – where one risk impacts on another, more than one risk have a shared cause, or risk spreads through reputational impact – when considering horizon scanning. ARAC and the Board will also be formally invited for views as appropriate.

Upside risks
LSB will also monitor upside risks (i.e. opportunities arising from uncertainties/unplanned events) as part of the organisation's risk management approach. Upside risks that are considered to have an impact on the LSB will be identified and logged on the corporate risk register through discussions with SLG, horizon scanning and intelligence-gathering activities, and reviewed through existing governance structures.

2.2 LSB’s Programme Risk Registers

Programme risk registers are reviewed regularly at Programme Board and during team meetings. If a risk is considered sufficiently critical (a red score) then it will be automatically raised in the monthly programme board update paper and considered for inclusion in the Corporate Risk Register at the next SLG session, or if appropriate, sooner by the Director for Corporate Services.

2.3 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. The LSB scores its risk based on the following tables.

- ***Impact*** of a risk is scored by the effect of the risk consequences, primarily on delivery but we will also consider financial impact and stakeholder confidence impact.

Score		**Description**
1	Minor	Barely any discernible effect on delivery of plan/services. Immaterial financial impact - less than 1% variance on relevant budget lines; or stakeholder confidence impact on stakeholder confidence. Risk management takes place within a team and does not need escalating.
2	Low	Small delay or non-critical changes to delivery of plan/services. Small financial impact of less than 1% variance on relevant budget which can be managed within budget. Minor impact on stakeholder confidence e.g., requiring straightforward information provided to stakeholders. Risk management takes place within a directorate.
3	Moderate	Some need to reassess/reschedule delivery of plan/services. Moderate financial impact which can be managed across a directorate budget (up to 2% of directorate budget). Moderate impact on stakeholder confidence e.g., requiring discussions with stakeholders. Risk management takes place within a directorate but may involve others.
4	Serious	Significant change necessary, to the delivery of plan/services. Significant financial impact - over 2% of directorate budget - or significant impact on stakeholder confidence e.g., requiring budget discussion with the Head of Finance at ELT or a mitigating comms plan. Risk management led by a Director in consultation with ELT and others.
5	Severe	Plan/service delivery failure. Very significant financial impact (2% of total annual budget or over £100k) or significant impact on

		stakeholder confidence eg requiring budget discussion with Head of Finance at ELT or a mitigating comms plan. Risk management led by a Director in consultation with ELT and others. Chair and Chair of ARAC informed.

- ***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

2.4 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 or reducing the likelihood of it, 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.

2.5 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	SLG	Quarterly	The SLG reviews the Corporate Risk Register quarterly, updating existing risks, identifying new risks, and removing risks as appropriate. At each meeting, the SLG 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. ARAC may seek a deep dive on a specific risk or support horizon scanning of risks.
	Board	Annually	The Board reviews the full Corporate Risk Register and reviews the Risk Strategy annually. The Board takes part in a horizon scanning exercise and considers risk contagion each year. The Board considers risk appetite at least every three years. The Board also reviews the top corporate risks via quarterly performance reports. The Board may seek a deep dive on a specific risk.
	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. The Corporate Risk Register is also shared with the MoJ for the biannual Business Assurance Meetings.
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.
	ELT	Monthly	The ELT reviews the Programme Board Update paper 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.

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Annex A

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					
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	Delivery is important but not the ultimate priority. There needs to be strong reasoning before plans are changed or we	Delivery is the ultimate priority. Change plans and develop our capability and capacity to pursue delivery as far as possible. Limited scope for

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.

Ref	Risk name	Risk causes	Risk impacts	Risk score			Movement *(since previous score)*	Appetite status	Measures in place to manage risk		Appetite	Previous total	Category	Owner	Date updated
				Impact	*Likelihood*	*Total*									
CC-NN	*What is the name of the risk?*	*What are the causes of the risk. Consider:* *- XYZ* *- XYZ*	*What are the impacts of the risk. Consider:* *- XYZ* *- XYZ*	*Refer to risk information tab for notes on risk scores*			*Will be auto filled (DO NOT CHANGE)*	*Will be auto filled (DO NOT CHANGE)*	** What are you doing to reduce the risk?* ** High level ONLY* ** Add new measures since the previous review in red*		*Appetite is determined by the risk category, refer to the risk info tab*	*Add in the previous total risk score*	*Use drop down to select risk category*	*Use drop down to select risk owner*	*Add in date of review*

Ref	Risk name	Risk causes	Risk impacts	Risk score			Movement *(since previous score)*	Appetite status	Measures in place to manage risk		Appetite	Previous total	Category	Owner	Date updated
				Impact	*Likelihood*	*Total*									

CC - NN	*What is the name of the risk?*	*What are the causes of the risk. Consider: - XYZ - XYZ*	*What are the impacts of the risk. Consider: - XYZ - XYZ*	*Refer to risk information tab for notes on risk scores*	*Will be auto filled (DO NOT CHANGE)*	*Will be auto filled (DO NOT CHANGE)*	** What are you doing to reduce the risk? * High level ONLY * Add new measures since the previous review in red*		*Appetite is determined by the risk category, refer to the risk info tab*	*Add in the previous total risk score*		*Use drop down to select risk category*	*Use drop down to select risk owner*	*Add in date of review*	