



## CORPORATE RISK MANAGEMENT POLICY STATEMENT

Lancaster City Council recognises its responsibilities to the community and the importance of maintaining high standards of corporate governance in order to fulfil them. Through the adoption of a Code of Corporate Governance, the Council has committed to ensuring that risk management plays an integral part in the sound governance of the Council.

Effective risk management is an active process that requires participation by all those involved in planning and delivering services, including elected Members, all managers and employees, and partners.

The Council intends that employees shall be able to identify the risks associated with their activities and, through training and communication, be able to analyse, control and monitor those risks. In doing this, it will seek to ensure that objectives are met at all levels of the Authority.

### Definitions

- *Risk management* is the process of identifying, evaluating and taking appropriate actions to minimise the hazards, reduce the risks, and maximise the opportunities presented by the Council's activities.
- A *hazard* is defined as "a source of potential harm or a situation with a potential to cause loss". This could be any event or situation that threatens the Council's ability to achieve its objectives and to fulfil its statutory responsibilities
- *Risk* is defined as "the chance of something happening that will have an impact upon objectives". It covers the likelihood that a hazard will occur and have an adverse effect on the resources, operational capabilities and services of the Council. It also covers the potential for opportunity to be taken that may have a beneficial effect. Risks are measured in terms of their likelihood and consequence/impact. The more likely it is that a risk will arise, and the greater its potential consequence, the more important it is to treat the risk effectively.

### Objectives

This risk management policy is intended to promote the achievement of the Council's aims through the implementation of its risk management strategy. Specific objectives are to:

- embed risk management into the culture and operations of the Council;
- adopt a systematic approach to risk management as an integral element of strategic and service planning, financial planning, policy making and review, and performance management;
- minimise the costs, disruption to services and harm to the reputation of the Council;
- anticipate and respond to changing social, environmental and legislative requirements;
- encourage innovation and improvement through decision-making that is based on a sound awareness of business and other risks;
- establish a corporate approach to proactive risk management in accordance with shared best practice and to support this by a structured training programme;
- ensure that Services have clear accountability for both the ownership and cost of risk and the tools to manage them effectively.

It is recognised that it is neither possible nor desirable to eliminate entirely the hazards and neutralise completely the risks facing the Council. Nevertheless, sound risk management procedures, backed by a culture of risk awareness amongst employees, has the potential to reduce significantly the level of actual damage sustained and maximise the benefit of emerging opportunities.

These objectives will be achieved by embedding risk management principles within the organisation to produce a culture of risk awareness and a risk-conscious approach to management. This will be achieved by:

- establishing clear roles, responsibilities and reporting lines for risk management within the Council;
- incorporating risk management into Best Value Reviews;
- incorporating risk management in the Council's policy making and review, strategic/ service planning, financial planning and performance management processes;
- monitoring risk management and internal control arrangements on a regular basis;
- reinforcing the importance of effective risk management through the provision of training and support;
- providing suitable insurance or other arrangements to manage the impact of unavoidable risks.

*This Policy needs approval by the Audit Committee on 27 July 2005*