

## Update on Risk Appetite and Tolerance

Enhancing understanding of acceptable levels of risk taking builds trust and confidence and supports decision-making. Risk appetite and tolerance discussions support decisions about resource allocation when it comes to over-managing or undermanaging risks.

Over the last several years, as part of advancing Integrated Risk Management (IRM) at The City, there have been efforts to work with stakeholders to develop tools and techniques to apply risk appetite and tolerance in different contexts. These efforts align with the Council Directive under the Well-Run City Citizen Priority:

We need to recognize that we miss opportunities for innovation in management, service delivery and planning because of an existing culture of risk avoidance. We need to create a culture, including City Council, which embraces appropriate levels of risk, innovation, experimentation, and embraces lessons learned as opportunities to improve.

Council reiterated the importance of understanding and applying risk appetite and tolerance at the 2019 December 9 Strategic Meeting when it was agreed that Administration should consider ways to incorporate ‘Strategic Risk Tolerance’ into Council’s work for 2020 (C2019-1499).

In 2019 Q3, the Integrated Risk Management team met with the three citizen members of the Audit Committee and with 10 members of Council. The chart below summarizes a few key and consistent themes from those discussions.

Theme	Response summary
The organization’s risk aversion and awareness	<ul style="list-style-type: none"> <li>• Overall, there is a perception that Administration has a risk averse culture and focuses primarily on risk identification and the downside of risks. It appears that there is a lack of awareness of “levels of risk taking” and consideration for the “upside” of risks.</li> <li>• There is a sense that risk aversion is motivated by fear and this can result in missed opportunities and revenues. Some noted that risk aversion may be "driven by Council".</li> </ul>
Comprehensive risk assessments	<ul style="list-style-type: none"> <li>• To embrace appropriate levels of risk taking, risk assessments should include risk response strategies and should discuss the risk of doing nothing or the impact of not being open to taking risks. Currently, there is a sense that Administration tends to focus on, and over-manage, operational risks to the possible detriment of opportunities to achieve results for the community.</li> <li>• Some Council members indicated that risk assessments in reports should include a comparison of costs and benefits in the proposed course of action.</li> <li>• There is a perception that as an organization, The City should emphasize the value of risk taking in formulating a return on investment.</li> <li>• It was noted that often reports focus on risks that are immaterial rather than reporting on risks that could have material impact.</li> </ul>

Theme	Response summary
Discussing and taking risk demonstrates what your values are	<ul style="list-style-type: none"> <li>• Some members of Council suggested establishing permission space for the organization to move forward, beyond the fear of failure, to promote “failing fast” and continuous improvement.</li> <li>• Many of those interviewed suggested having open and frank risk conversations, with the right information, presented by the right people. This would allow for the appropriate amounts of risk related to what Calgarians want. One respondent stated: "I would love to hear this is a big risk... but it's worth it."</li> <li>• Risk taking related to forging strategic partnerships, investing in employees, and trying new things was identified as something to be encouraged.</li> </ul>

The meetings with members of Council and the three citizen members of the Audit Committee will be used to advance Integrated Risk Management at The City including but not limited to:

- support discussions with service owners and their teams about appropriate levels of risk in pursuit of the efficient and effective delivery of services to citizens,
- enhance reports and presentations of risks to Committee and Council, and
- inform risk management tools and techniques.

Updates on these activities will be brought forward to the Audit Committee and Council as part of the mid-year and year-end risk reports.