

Risk Appetite: Strategic Alignment

Developing The City's approach to articulating and applying risk appetite supports decision makers throughout the organization. Advancing risk appetite is a journey that requires engagement and collaboration with many stakeholders. While advancements have been made as outlined in this attachment, further work will be done in the coming months including completing guidelines as per the approved Integrated Risk Management (IRM) Audit recommendation. Further, this attachment demonstrates risk appetite alignment with the Principal Corporate Risks, *Resilient Calgary: Council's Strategic Direction 2023-2026*, the Rethink to Thrive Strategy, and the work to develop the 2023-2026 Service Plans and Budgets.

Background

Risk appetite is the level of risk that the organization is willing to accept to achieve its results. The Integrated Risk Management Policy states, "Council and senior management are responsible for setting risk appetite and risk tolerance for the organization," while "All employees of The City will accept an appropriate level of risk defined by approved risk appetite levels." To support these objectives, the risk appetite scale and chart below were developed regarding the areas we, as an organization, want to take more risk, and where we want to avoid it. The scale was previously presented to the Audit Committee in 2020 (AC2020-0711).

Risk appetite and the PCR structure

The City uses the following risk appetite scale:

- Level 1 Averse: The City is not willing to accept risk under any circumstances.
- Level 2 Minimalist: The City is not willing to accept risk in most circumstance.
- Level 3 Cautious: The City is willing to accept risk in certain circumstances.
- Level 4 Open: The City is willing to accept risks.
- Level 5 Motivated: The City accepts opportunities that are inherently high risk.

The chart below indicates areas of risk where The City is comfortable taking more or less risk. It was developed by applying the risk levels identified to the PCR structure from 2020 June and applying those principles to our current PCR structure. Risk appetite levels are reviewed by senior leadership regularly to ensure they continue to meet the organization's needs.

PCR Risk Appetite Alignment

Level 1: Averse	Level 2: Minimalist	Level 3: Cautious	Level 4: Open	Level 5: Motivated
Capital Infrastructure Risk				
	Building Regulations		New building materials	
	Volatile funding from other orders of government			
Employee Experience and Disruption				
		Technological reliability	New technological solutions	
	Noncompliance with Labour Relations Code Collective Bargaining	Employee Satisfaction	Opportunities to enhance talent	Culture of innovation
Failure to report health and safety incidents	Accommodate back to work WCB claims			
	Security risks to people	Security risks to assets		
Financial Sustainability Risk				
	Debt	Investment volatility		
Legal Risk				
	Non-compliance with regulations			
Reputation Risk				
		Citizen Satisfaction Surveys	Proactively working with external groups and individuals	
Service Delivery Risk				
Interruptions to essential services		Interruptions to non-essential services	Changing processes to increase effectiveness	
Social Wellbeing Risk				
	Interruptions to programs that support Calgarians experiencing vulnerability	Shared service delivery with partners	Opportunities for positive social impact	
Sustainable City Risk				
		Service levels for different communities	Investments and efforts to support economic growth	Working with partners to advance opportunities for economic growth
Quality of city drinking water	Reducing The City's GHG emissions			Innovation related to energy

Risk appetite and strategic direction

Strategic direction tells us when to take more risk and when to avoid taking risk. In Administrations *Rethink to Thrive Strategy* and *Resilient Calgary: Council’s Strategic Direction 2023-2026*, we can bring out the following related to risk taking.

As an organization:

We take risk in order to...	We avoid risk related to...
<ul style="list-style-type: none"> ... promote and support businesses ... invest in infrastructure ... encourage community engagement and participation ... create more affordable housing ... foster climate innovation ... modernize municipal government ... innovate and experiment ... be more transparent ... provide great customer experience ... promote better governance ... strengthen relationships with others orders for government 	<ul style="list-style-type: none"> ... people’s safety, inclusion, or access to spaces and services ... ongoing reconciliation with Indigenous communities ... reducing emissions that are linked to climate change ... preparing for climate change impacts ... providing quality service to customers ... making Calgary more resilient ... funding agreements with other orders of government

Risk appetite and service plans and budgets

Once we have aligned our risk appetite guidance to current risk structures and strategic direction, we will support decision makers so that they can apply it. In building the 2023-2026 Service Plans and Budgets, risk appetite will support decision makers looking for opportunities to embrace strategic risk taking when options align with our strategic goals and avoid risk when they do not.

Following the development of the 2023-2026 Service Plans and Budgets, we will continue to improve and enhance our risk appetite work throughout the organization to promote risk-based decision-making. For example, a risk appetite lens will support The City’s Performance Management System and continuous improvement efforts as we identify opportunities where we can take more or less risk to deliver faster and better services for Calgarians.