
Corporate Risk Appetite

Recommendation

That the corporate risk appetite be approved.

Topic and Purpose

The purpose of this report is to receive Standing Policy Committee on Finance approval of the City of Saskatoon's (City) risk appetite.

Report Highlights

1. Risk appetite is defined as the amount and type of risk that an organization is willing to accept in order to achieve its objectives.
2. The City's corporate risk appetite is comprised of fourteen individual risk appetite statements, grouped into five general risk categories, and has been validated by the Administration and endorsed by the Corporate Risk Committee.

Strategic Goal

This report supports the long-term strategy of creating and encouraging a workplace culture of continuous improvement that encourages innovation and forward-thinking under the Strategic Goal of Continuous Improvement.

The City's Risk Based Management (RBM) Program sets a positive and proactive risk management culture for the Administration through the adoption of a systematic, practical and ongoing process for understanding and managing risk.

Background

At its meeting on February 12, 2018, when considering a report of the CFO/General Manager, Asset and Financial Management Department, the Standing Policy Committee on Finance resolved that the Administration develop a corporate risk appetite.

Report

Definition of Risk Appetite

Risk appetite is defined as "the amount and type of risk that an organization is willing to accept in order to achieve its objectives." Risk appetite is a critical component of the RBM Program as it provides the guiding principles for the Administration to consider as part of their strategic and operational decision-making processes. In addition, risk appetite provides a consistent view of risk across the organization, communicates expectations regarding risk taking and enhances the City's risk culture.

Risk appetite is not a "one size fits all" concept; it is based on the strategies, goals, values, corporate culture, risk-taking experience, risk maturity and risk capacity that are unique to every organization. Developing a risk appetite involves considering all of these varied factors and crafting guidelines that capture the essence of the organization's risk attitude.

Corporate Risk Appetite Statements

The corporate risk appetite statements were prepared by the Director of Corporate Risk, and the tolerance level for each of the statements was determined by the Senior Management Team (all Directors) and further endorsed by the Corporate Risk Committee (Attachment 1).

The risk appetite consists of fourteen individual risk appetite statements, grouped into the following five general risk categories:

- Human Capital
- Technology
- Financial
- Operational
- Legal

Purposefully broad, the risk appetite does not cover every possible circumstance, but rather, sets of overall tone for risk-taking going forward.

For each individual risk appetite statement, a meaningful combination of qualitative and/or quantitative metrics and risk tolerances will be developed to ensure the risk appetite is being embedded into the City's operations and risk-taking is aligned with the risk appetite. Actual performance in relation to those metrics will be monitored and an action plan for those that are approaching or have breached the risk tolerance level will be escalated to the Corporate Risk Committee.

Options to the Recommendation

The Standing Policy Committee on Finance can choose not to approve the corporate risk appetite. The Administration does not recommend this option as, in the absence of corporate guidelines on acceptable and unacceptable risk taking, decisions will be based on the individual decision maker's personal risk philosophy, which may not be consistent with that desired by the organization as a whole.

Communication Plan

Approval of the corporate risk appetite will ensure that the Administration, external stakeholders and public understand the boundaries within which informed risk-taking is acceptable.

Once approved, the corporate risk appetite will be communicated throughout the corporation, and a digital version of the corporate risk appetite will be made available on the Corporate Risk webpage on saskatoon.ca.

Other Considerations/Implications

There are no policy, financial, environmental, privacy or CPTED considerations or implications, and public and/or stakeholder involvement is not required.

Due Date for Follow-up and/or Project Completion

The Administration will present a report in spring 2018 requesting approval of amendments to Council Policy No. C02-040, Corporate Governance – Risk Based Management Policy, which will include the corporate risk appetite.

Public Notice

Public Notice pursuant to Section 3 of Policy No. C01-021, Public Notice Policy, is not required.

Attachment

1. Corporate Risk Appetite Statements

Report Approval

Written by: Nicole Garman, Director of Corporate Risk

Approved by: Kerry Tarasoff, CFO/General Manager, Asset & Financial Management Department

Corporate Risk Appetite Mar 2018.docx

Corporate Risk Appetite Statements

Risk Categories

The City's risk appetite has been defined in five categories as follows:

- **Human Capital Risk:** the risk of loss as a result of poorly managed human resources or health and safety incidents.
- **Technology Risk:** the risk that information technology processing, security, stability, capacity and performance jeopardizes core operations.
- **Financial Risk:** the risk of loss resulting from performance of financial assets, or inadequate finance-related processes including financial stewardship and internal controls.
- **Operational Risk:** the risk that people, processes, systems or external events impede the City's ability to meet its objectives.
- **Legal Risk:** the risk that the organization does not fulfill its obligations.

Risk Tolerance

The City's tolerance for risk in each category has also been defined as follows:



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

As described more fully in the following sections, overall, the City's approach to risk management is to minimize its exposure to financial, legal and technological risks while accepting and encouraging an increased degree of risk in pursuit of its mission and objectives. Where there is discretion and the opportunity to innovate in service delivery, the City is willing to assume more risk in order to improve efficiencies and provide better and more responsive service to citizens.

Risk Appetite Statements

Human Capital Risk

Overall, the City's appetite for human capital risk is medium.

Its people are the City's most valuable asset and are critical to achieving its objectives. The City must attract, develop and retain a highly motivated, diverse, talented and empowered work force.

- The City has a low appetite (Level 1/2) for risks that jeopardize compliance with workplace safety laws and regulations, ethical standards or other matters that could compromise the corporation's integrity or reputation.
- The City will accept a moderate (Level 3) amount of risk if it helps to achieve a more diverse and inclusive workplace that represents the community it serves.
- The City will accept a moderate (Level 3) amount of risk regarding talent management processes, including hiring, training, retention, career and leadership development, succession planning, performance management and compensation programs.
- The City has a low appetite (Level 2) for failures which are caused by poor change management practices.

Technology Risk

Overall, the City's appetite for technology risk is low.

Information systems must support the corporation's critical business functions with adequate capability, capacity, reliability, resiliency and security from both internal and external threats.

- The City relies heavily on technology to carry out its core services and therefore has a low appetite (Level 2) for unreliable technology.
- The City has a low appetite (Level 1/2) for unauthorized access to its systems or the inappropriate release/use of confidential data and will maintain strong controls to mitigate external threats against the corporation's technology infrastructure.
- The City will accept a moderate amount (Level 3) of risk in pursuit of technological innovation. In this rapidly changing environment, the City needs to be prepared to identify and capitalize on opportunities that improve the ability to meet the needs of the civic workforce and citizens.

Financial Risk

Overall, the City's appetite for financial risk is low.

The City exercises prudent stewardship over its financial resources. Strong internal controls, compliance with accounting standards and sound fiscal policy promote

accountability and transparency for how taxpayer dollars are invested.

- The City has a moderate appetite (Level 2/3) for risks that would place its 'AAA' S&P Global credit rating in jeopardy.
- The City has a low appetite (Level 1/2) for risks that could have a significant negative effect on financial performance or position, or prevent the corporation from achieving its financial targets.
- The City has a low appetite (Level 1/2) for fraud, collusion, theft, corruption or unethical practices perpetrated by staff, customers, clients, patrons, contractors, partners, etc. The City takes all allegations of suspected impropriety seriously and will promptly investigate and take appropriate disciplinary and/or legal action.

Operational Risk

Overall, the City's appetite for operational risk is medium.

People, processes and systems must be well-aligned to support achievement of the City's mission and objectives in the most efficient and cost effective way possible.

Where there is discretion and the opportunity to innovate, more risk may be acceptable in order to provide the best service to citizens.

- The City has a high appetite (Level 3/4) for risks that would improve efficiency, effectiveness or quality, and/or provide better and more responsive services to citizens. Such improvements could come through creative or innovative ideas, partnerships, pilot projects, trials, etc.
- The City will accept a moderate amount (Level 2/3) of risk in pursuit of initiatives that promote environmental leadership, conservation, sustainability and responsibility.
- The City has a low appetite (Level 1/2) for risks that would significantly affect the ability to provide uninterrupted essential services to citizens or that jeopardize public safety.

Legal Risk

Overall, the City's appetite for legal risk is low.

The City takes its legal obligations very seriously. Legal risk considerations are complex, multi-faceted and span across the entire organization, and may require cross-functional and multi-disciplinary consideration.

- The City has a low appetite (Level 1/2) for violations of legislative or regulatory requirements, contractual agreements or funding agreements. This includes the City's conduct in this regard as well as that of third parties and/or contractors who do business with the City.