

## ANNUAL CORPORATE STRATEGIC RISK PROFILE

### RECOMMENDATION

That the February 13, 2023, Financial and Corporate Services report FCS01391, be received for information.

Requested Council Action		Information only	
ConnectEdmonton's Guiding Principle		ConnectEdmonton Strategic Goals	
CONNECTED This unifies our work as we achieve our strategic goals.		N/A	
City Plan Values	THRIVE		
City Plan Big City Move(s)	N/A	Relationship to Council's Strategic Priorities	Conditions for service success
Corporate Business Plan	Managing the corporation		
Council Policy, Program or Project Relationships	<ul style="list-style-type: none"><li>C587 - Enterprise Risk Management Policy</li></ul>		
Related Council Discussions	<ul style="list-style-type: none"><li>November 9, 2019, Urban Form and Corporate Strategic Development report CR_7327 - Annual Corporate Strategic Risk Profile</li></ul>		

### Executive Summary

- The annual corporate strategic risk profile provides the prioritization of the top risks to achieving the City's desired strategic goals through ConnectEdmonton, The City Plan and the Corporate Business Plan.
- The report describes the process for identifying and evaluating the strategic risks. Three major risk themes are summarized based on the findings: Economic prosperity and financial constraints; Changing political landscapes; and Employee retention, satisfaction and health.

## Annual Corporate Strategic Risk Profile

- The Enterprise Risk Management process is completed annually and ensures that the City is diligent in avoiding, preparing for and mitigating risks effectively, while seizing opportunities to achieve its goals.
- Regular and transparent reporting about risks to City Council through the Audit Committee is part of City Policy C587 - Enterprise Risk Management.

## REPORT

The annual corporate strategic risk profile provides a high-level, prioritized summary of the key risks that impact the City's ability to reach its strategic goals, outcomes and service level commitments. The strategic risks are considered in reference to the City's goals of ConnectEdmonton, The City Plan and the Corporate Business Plan. Risk Management is a key element of the City's Strategic Planning Framework, and supports the integrated business planning and budgeting approach.

In alignment with City Policy C587 - Enterprise Risk Management and a refreshed Enterprise Risk Management Framework, an updated process for evaluating the strategic risks now involves:

- Analysis of internal risk registers.
- Environmental scanning of global risk reports.
- External research and discussions with other municipalities as a community of practice.
- Internal consultation with subject matter experts within Administration, the City's Risk Committee and senior leadership.

The methodology for scoring and prioritizing risks includes assessing and evaluating risks based on the probability of likelihood and the potential level of impact on the organization, informed by the expertise of the City's business leaders and subject matter experts. The risks are reviewed and calibrated across services, corporate operating levels and applicable City strategies to determine prioritization.

Administration provided the last report on risks just before the COVID-19 pandemic, on November 9, 2019 (Urban Form and Corporate Strategic Development report CR\_7327, Annual Corporate Strategic Risk Profile). The information provided below resumes annual reporting after a detailed review, improvement and update to the Enterprise Risk Management Framework.

## Environmental Scan and Trends

Risk reporting and industry-based studies are used globally to provide trend analysis and expert opinions. To integrate risk management into the City's work, the Enterprise Risk Management Framework uses three sources of information to understand risks and trends: The World Economic Forum Global Risks Report, The Institute of Internal Auditors OnRisk Report and internal subject matter experts.

The combination of these three sources provides sentiment from thousands of leaders with a global perspective alongside the City's internal subject matter experts. Views and expertise span various levels of governments, not-for-profit organizations and major corporations. Attachment 1 provides a summary of the environmental scan for strategic risks and key findings from these three sources.

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Globally, the main findings are consistent with the local experience in the City. Around the world risks to municipalities are focused on the environment, societal challenges, internal culture and staffing of an organization. Since the World Economic Report is released in early January of each year, the 2022 report and findings were completed prior to the Ukraine-Russia conflict. A review of the 2023 World Economic Forum report (released January 11, 2023), continues to align with the City's strategic risk profiles supporting the medium and long-term focus of global climate and societal risks, while the short-term risks are focused on cost of living and geopolitical confrontation.

### Summary of Key Risk Themes

Through the annual risk register evaluation process 17 strategic risks were identified in 2023 (Attachment 2). The updated process provides more specific risks across the City's eight risk categories, compared to the previously presented top 10 risks. The top 10 previously presented were all risk categories. The new process provides specific risks which are significantly important in each category, based on analysis and review through the City's enterprise risk management framework.

The complexity of major problems and challenges facing a municipality often span multiple, interconnected and overlapping themes. This year, Administration identified three themes that fit the top 17 specific risks. The three themes are:

- A. Economic prosperity and financial constraints
- B. Changing political landscapes
- C. Employee retention, experience and health

#### A. Economic prosperity and financial constraints

Eleven of the identified risks impact the economic health of Edmonton, the City's financial capacity to maintain services, capital investment and balancing the tax burden. High inflation is affecting Edmonton, much like many jurisdictions globally, through increased costs of consumer goods and services, as well as materials and equipment needed for capital projects. This challenges the growth and survival of small and medium businesses, as well as Edmontonians' household costs. Increased costs also add pressure to City's capital investment in growth and renewal, which creates difficult decisions given the corporation's debt limit. Finally, the increasing importance of investing in climate adaptation and energy transition adds to the challenges of balancing the City's financial resources with making significant strides to reach Edmonton's climate goals.

#### B. Changing political landscapes

Seven of the identified risks highlight the complexity of intergovernmental relationships in instances when goals, desired outcomes, policies, allocation of financial resources and direction of actions appear to differ between municipal, provincial and federal governments. Continued alignment and the leveraging of resources to reach our climate goals requires collaboration with all our government partners from policy to financial resources. Working together to identify commonalities and then leveraging combined public resources will allow the City to achieve its strategic goals, enabling a better life for Edmontonians.

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### C. Employee retention, satisfaction and health

Every large organization needs a workforce that sustainably provides the best service and value to the people it serves. Six of the identified risks demonstrate the importance of maintaining a healthy workforce while meeting Edmontonians' expectations for services. All municipalities are grappling with solving societal issues, efforts which often come with emotional labour, stress and burnout. Increased competition for talent adds to the importance of the City's continued focus on improving organizational culture and support systems.

#### Mitigations and Opportunities to Risks

A key element in the Strategic Planning Framework is ensuring that the City's mitigation and response to risk are integrated in its strategies, business planning, budgeting and performance measurement. Mitigations, response actions, preparedness and leveraging risks into opportunities are integrated through policy development, procedures, strategic initiatives and projects, and continuous service improvements. Policies such as City Policy C203D - Debt Management Fiscal Policy, combined with financial controls and monitoring support, ensure sound financial stewardship of the City. Integrated approaches to challenging social issues, through initiatives such as the Community Safety and Well-being Framework, demonstrate the multi-pronged approach the City takes to address social support and public safety, in collaboration with other agencies, not-for-profit organizations and other orders of government. The Climate Change Adaptation and Resilience Strategy and Energy Transition Strategy illustrates the use of policy and economic stimulation programs to address Edmonton's climate-change challenges, as well as taking opportunities to leverage funding and resources from other orders of government to work collaboratively on solutions.

### Community Insights

Extensive public engagement with residents helped develop the strategic goals that guide the Strategic Planning Framework through ConnectEdmonton and The City Plan. The Enterprise Risk Management process is completed annually across all levels and business areas within the City, taking a focused view of all services and elevates risk considerations to the strategic level of the organization. Throughout the processes, each business area considers the diverse perspective of its staff, customers (including communities or individual Edmontonians) and stakeholders, along with associated impacts.

#### GBA+

Examples of GBA+ insights and perspectives during the Enterprise Risk Management process include:

- The impact of inflation and cost of living on Edmontonians and businesses to ensure cost of fee for services and the tax burden are seriously considered and measured, especially the financial burden of Edmonton's most vulnerable residents.
- Evaluating gaps in social service initiatives are in collaboration and integration with other government agencies and non-for-profit organizations to maximize resources for positive outcomes.

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- Research that supported the November 14, 2022, Financial and Corporate Services report FCS01478, 2023-2026 Carbon Budget indicated that women, Indigenous, Black and other marginalized people and groups will experience the impacts of climate change more than non-marginalized people and groups, making climate change a more pronounced risk for some community members.

The City will continue to apply a GBA+ to Enterprise Risk Management as the process matures and as tools are refined and developed to support a more sophisticated understanding of risk identification and impacts to varying perspectives.

## ATTACHMENTS

1. Summary of Environmental Scan for Strategic Risks
2. 2023 Corporate Strategic Risk Register and Heat Map