

ANNUAL CORPORATE STRATEGIC RISK PROFILE

Recommendation

That the November 30, 2023, Financial and Corporate Services report FCS01975, be received for information.

Requested Action	For information		
ConnectEdmonton's Guiding Principle	ConnectEdmonton Strategic Goals		
CONNECTED This unifies our work to 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"> C587 - Enterprise Risk Management Policy 		
Related Council Discussions	<ul style="list-style-type: none"> February 13, 2023, Financial and Corporate Services report FCS01391, Annual Corporate Strategic Risk Profile 		

Executive Summary

- The annual corporate strategic risk profile prioritizes 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; the environment and climate change; and employee retention, satisfaction and health.

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- The Enterprise Risk Management process is completed annually and ensures that the City diligently avoids, prepares for and mitigates risks effectively while seizing opportunities to achieve its goals.
- Regular and transparent risk reporting to City Council through Audit Committee is part of City Policy C587 - Enterprise Risk Management.

REPORT

The annual corporate strategic risk profile (Attachment 1) provides a high-level, prioritized summary of the key risks that impact the City of Edmonton's ability to reach its strategic goals, outcomes and service-level commitments. The strategic risks are considered in relation to the City's goals outlined in 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.

The City continues to build on its Enterprise Risk Management processes and reporting. This year, the process for identifying, calibrating and reviewing strategic risks included consultation with all branch managers through department-level strategic risk conversations, followed by a risk survey. The overall methodology for scoring is determined based on a combination of consultation with leaders across the City, surveying branch executives, subject matter expertise and experience, environmental scans and external trend analysis. This process expands the expertise and diversity of experiences to reduce unconscious bias, as each business leader may over-value their priorities and risks when viewing risks in silos.

Environmental Scan and Trends

Risk reporting and industry-based studies are used globally for trend analysis and expert opinions. The City's Enterprise Risk Management Framework uses the following sources of information to understand risks and trends: The World Economic Forum Global Risks Report, The Institute of Internal Auditors Risk in Focus Report and internal subject matter experts. Attachment 2 summarizes the environmental scan for strategic risks and key findings from these three sources.

The World Economic Forum and the Institute of Internal Auditors consulted thousands of leaders across corporations, governments and not-for-profits for their opinions on the top risks their organizations are facing.

Globally, there is a continued trend of the top three risks from the World Economic Forum report: cost of living, extreme weather disasters and geopolitical conflict. The high cost of living continues to apply pressure on average households paying for housing, food and fuel. Increasingly frequent and extreme weather events required more resources for aid, evacuation and support services. Geopolitical conflicts create uncertainty and stress for people directly and indirectly affected, as well as to global political and financial systems.

There are also two emerging risks from the Institute of Internal Auditors report that major organizations are internally focused on: managing cybersecurity risks and talent management. Both risks are further explored below.

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Summary of Key Risk Themes and related Mitigations and Opportunities

Two new risks have been added to the risk register, resulting in 19 strategic risks for 2024, outlined in Attachment 1, and the intersectionality of the risks has also adjusted the risk themes. For 2024, Administration identified three themes that fit the top 19 specific risks:

- A. Economic prosperity and financial constraints
- B. The environment and climate change
- C. Employee retention, satisfaction and health

A. Economic prosperity and financial constraints

Risks

The economic and financial risks that had a high and/or increased score were related to continued high costs and pricing, which are applying financial pressure across all services. The City sees the effects of higher consumer goods and services prices in non-taxation revenues and reduced tolerance for tax increases from residential property owners. Higher costs for materials and equipment affect the City through new and renewing contracts. Much higher materials and equipment costs in particular are making it more challenging to balance the City's capital investment in growth and renewal.

The City faces financial challenges with allocating renewal funding and currently carries a renewal deficit. In addition, underfunding updates to aging technology and hard infrastructure further increases risks if deferred for too long.

Mitigations and Opportunities

The City has focused on strong stewardship of assets, managing challenging financial choices while investing in infrastructure renewal. Consistent upkeep of Edmonton's physical and digital infrastructure is key to ensuring a well-supported, functional city. The balance of maintaining all assets in good condition before reaching failure demonstrates strong stewardship of resources. To help address some of the renewal deficit, the City has brought forward a proposal for a dedicated renewal fund as part of the 2023 fall budget adjustments similar to the City's existing approach of investment in the Neighbourhood Renewal Program.

The City also supports key technology upgrades to meet the rapidly changing digital world, reduce obsolescence and strengthen cybersecurity protection. The Corporate Information Security Office provides proactive frontline protection, internal improvements to strengthen the resilience of systems, and ongoing training and education to staff on user diligence to promote best practices.

The City collaborates with provincial and federal governments to align policies, goals and desired outcomes with consistent and reliable allocation of financial resources. Partnerships and financial support through programs to address transit safety, housing and climate change initiatives all provide positive outcomes in aligning strategies, actions and resources. Examples like the Housing Accelerator Fund demonstrate the leveraging of intentions to serve residents and address housing affordability. Continued collaboration with the provincial and federal governments will allow the City to achieve its strategic goals, enabling a better life for Edmontonians.

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B. The environment and climate change

Risks

The effects of climate change directly impact communities across Canada; seven of the risks highlight the need to address climate change meaningfully through the reduction of greenhouse gases and investment in adaptation. A new risk was added to reflect the increasing occurrence of extreme weather events from wildfires, poor air quality alerts, extreme heat, flooding and drought. The volume, extremity, duration and breadth of these events have applied new strain to the City's emergency response. Over the past few years, major cities have been called upon to offer aid and support to evacuees and vulnerable populations for regions much further out of their normal jurisdiction. This change requires a shift in how municipalities consider planning, training and resources for emergency response management.

Mitigations and Opportunities

The City of Edmonton's two climate strategies, the Energy Transition Strategy and the Climate Adaptation Strategy chart the path forward for Edmonton to both reduce greenhouse gas emissions and adapt to climate change risks and impacts. The City of Edmonton has taken significant steps over the past year to advance these strategies. Council approved an additional \$376 million of capital and operating spending related to the Energy Transition Strategy and \$5.5 million related to Climate Adaptation over the 2023-2026 budget cycle. Of this amount, \$38.9 million is for Renewable and Resilient Energy Transition (Pathway 1), \$53.0 million is for Emissions Neutral Buildings (Pathway 2), \$223.6 million is for Low Carbon City and Transportation (Pathway 3) and \$60.4 million is for Carbon Capture and Nature Based Solutions (Pathway 4). A specific example is the diversification of the transit fleet now includes piloting hydrogen fuel cell electric buses complementing the existing fleet of battery electric buses.

The City's Emergency Support Response Team successfully supported evacuees throughout the summer of 2023, ensuring families displaced by wildfires got comfort during difficult times. Further collaboration and shared responsibilities will be required for future activations of emergency management support with the provincial and federal governments, along with not-for-profit support agencies. Zoning and bylaw updates support stimulating housing development, increasing density and addressing affordability while contributing to the City's climate goals.

C. Employee retention, satisfaction and health

Risks

Globally, large organizations see human capital management as a top-level risk, and the City is no exception. Seven of the identified risks support the importance of maintaining a healthy workforce while meeting Edmontonians' expectations for services. The changing landscape of employment trends focuses on recruitment, retention and health. Many industries are still balancing hybrid and remote work models to remain competitive in attracting workers. Labour negotiations focus on providing fair and equitable wages and benefits, and working environments that promote health and safety. Another challenge is the rapidly changing work environments and skill sets required for some jobs.

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Mitigations and Opportunities

The City's focus on workplace and public safety helps address complex risks across the city for Edmontonians and staff. Starting with addressing broader public safety, the Community Safety and Well-being Framework advances the City's social support and public safety services in collaboration with not-for-profit and other organizations as well as other orders of government. The launch of the Healthy Streets Operation Centre provided further integrated community safety teams to address homelessness, mental health and addiction support. The expansion of the Community Outreach Transit Team also demonstrates integration and collaboration in addressing complex social issues. Creating public safety ensures frontline workers are in a safe environment to deliver Edmontonians the best experiences and services.

The City continues to build programs focused on a positive employee experience in occupational health and safety, mental health supports and strong cultural commitments for employee engagement. Examples include:

- Updated traditional work-alone situations with buddy systems reduce the risks of physical and psychological harm for frontline staff.
- Completed the Alberta Certificate of Recognition (COR) audit, meeting provincial Occupational Health and Safety (OHS) standards.
- Continued commitment to updated and improved recruitment and retention programs to support the building of strong teams.

Community Insight

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 multiple levels and business areas within the City. Business areas take a focused view of all services, and through analysis, the top risks are elevated for consideration at the organization's strategic level. Each business area considers the diverse perspectives of its staff, customers (including communities or individual Edmontonians), stakeholders, and associated impacts. Additional cross-sectional information and research, such as the service satisfaction survey (results in Attachment 4 of the November 7, 2023, Financial and Corporate Services report FCS02052 - Fall 2023 Supplemental Operating Budget Adjustment - 2023-2026 Operating Budget), help inform the risk identification and assessment process.

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 are strongly considered to ensure cost of fee for services and the tax distribution burden are not disproportionately impacting any one group, especially Edmonton's most vulnerable residents.
- Proactively review and evaluate existing policies to identify gaps, unintended consequences and disproportionate impacts to diverse, under-represented and lower

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economic status groups for updates to ensure all residents can access services and prosper.

- Considerations in the City's Energy Transition Strategy include research that low-income people and families are disproportionately impacted by climate change because they lack the financial means to implement mitigations and adaptation measures in their homes and communities.
- Commitments to the Corporate Accessibility Plans include enhancing building evacuation plans and drills to include processes and instructions for evacuation of employees and visitors of all abilities, ensuring overall workplace safety and response plans are inclusive and effective in accommodating all people.

The City continues to apply a GBA+ to all services provided. The Enterprise Risk Management process integrates and provides additional risk-based assessments and an understanding of potential impacts to support business areas in decision-making.

Attachments

1. 2024 Corporate Strategic Risk Register and Heat Map
2. Summary of Environmental Scan for Strategic Risks