

Enterprise Risk Assessment 2023

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Report Summary

This report provides information regarding an Enterprise Risk Assessment in 2023.

Relationship to the Strategic Plan, Health Impact Assessment and Community Energy & Emissions Plan (CEEP)

This report supports all elements of the 2019-2027 Strategic Plan. It also addresses community resilience and climate change preparedness, in line with the Community Energy and Emissions Plan.

Financial Implications

There are no direct financial implications associated with this report.

Introduction

The corporation established an Enterprise Risk Management (ERM) Policy in 2018. ERM is a decision-making tool designed to assist Council and staff monitor potential risks affecting the organization and ensure adequate resources are allocated to ensure strategies are developed and implemented to mitigate risks to an acceptable level. ERM helps to support informed decision-making, promotes confidence in the organization's resilience, and creates transparency with regard to key enterprise risks and how these risks are being managed.

The corporation cannot completely avoid risk, nor eliminate it. Every activity carries some risk and municipalities are continuously exposed to a wide spectrum of risks. It is important to understand Council's perspective on the acceptable balance between risk mitigation and timely, low-cost service efforts.

For example, lower risk tolerance increases the prevalence of policy controls and output validation to reduce the potential that an adverse outcome could occur. At the same time, low risk tolerance could increase cost or reduce performance capacity in ways that might also be unacceptable.

Analysis

ERM Environment

It is Council's responsibility to establish an ERM environment. Every organization has unique elements and, for the purposes of ERM, it is important to understand how an individual organization approaches risk. This includes understanding the level of tolerance for risk ("risk appetite") and acceptable methods for managing risk. A basic understanding of this environment helps staff to determine which projects and approaches should be pursued in any given situation.

As described the corporation's ERM Policy, the CAO and City Council each have roles and responsibilities to manage enterprise risks. Council will determine the level of tolerance for risk and will monitor the approach to key enterprise risks.

The risk environment can be evaluated and stated in many ways. Staff adopted the terms described in the following table (Averse, Minimal, Cautious, Open, Eager), where each term includes a statement that provides a high level description of the approach to risk for a particular category.

Table 1: Risk Appetite Definitions

Risk Appetite	Description
Averse	Avoidance of risk and uncertainty is key objective. Activities undertaken will only be those considered to carry virtually no inherent risk.
Minimal	Preference for very safe business delivery options that have a low degree of inherent risk with the potential for benefit/return not a key driver. Activities will only be undertaken where they have a low degree of inherent risk.
Cautious	Preference for safe options that have low degree of inherent risk and only limited potential for benefit. Willing to tolerate a degree of risk in selecting which activities to undertake to achieve key deliverables or initiatives, where we have identified scope to achieve significant benefit and/or realise an opportunity. Activities undertaken may carry a high degree of inherent risk that is deemed controllable to a large extent.
Open	Willing to consider all options and choose one most likely to result in successful delivery while providing an acceptable level of benefit. Seek to achieve a balance between a high likelihood of successful delivery and a high degree of benefit and value for money. Activities themselves may potentially carry, or contribute to, a high degree of residual risk.
Eager	Eager to be innovative and to choose options based on maximising opportunities and potential higher benefit even if those activities carry a very high residual risk.

Generally, public sector organizations are risk averse. For the City of Greater Sudbury, this translates to a description of its risk appetite between Cautious and Minimal on the chart of values above.

Unlike the private sector, which has the relatively simple measure of profits to determine the risk/reward benefits of any particular venture, public enterprise rewards tend to be indirect and longer term. There is also an expectation to demonstrate, often over a shorter period of time, that public funds achieve value for money.

Annual Register of Key Enterprise Risks

Divisions and departments regularly assess risks that could affect the achievement of service objectives.

These assessments inform the executive leadership team's decisions about the following key enterprise risks. This includes considering both the likelihood of occurrence (Almost Certain, Likely, Possible, Unlikely or Rare) and the potential consequence of an occurrence (Severe, Major, Moderate, Minor, Insignificant). The combination of these assessments determines the significance of the unmitigated risk to the organization, which can vary between low, moderate, significant, or critical.

Any risks that are determined to be significant or critical have been assigned to a member of ELT who will act as risk owner and will be responsible for overseeing strategies to mitigate the risk to a level that is acceptable within the corporation's risk management environment. The CAO includes ERM information in quarterly performance updates to Council.

Mitigation strategies may require additional staff, financial resources or processes to implement. As appropriate, these will be discussed with Council. Council will also have the ability to monitor progress and direct resources as part of the annual budget process.

The table, included as **Appendix A**, provides details about Key Enterprise Risks and any changes since 2022. Generally, enterprise risks have not increased despite changes in influencing factors and increasingly challenging operating conditions. The likelihood of two risks has decreased as a result of work undertaken to address those risks. This information can support Council's deliberations during the 2024-2025 Municipal Budget.

Conclusion

This report provides an update that reflects the corporation's progressive efforts to manage enterprise risk and apply a thoughtful, forward-looking approach to planning and decisions. The ERM framework supports informed decision-making, ensuring confidence in the organization's ability to respond to risks, and creates transparency regarding key enterprise risks and how these risks are being managed.

Resources Cited

Enterprise Risk Management Update and Annual Register of Key Enterprise Risks, June 22, 2021 –

<https://pub-greatersudbury.escribemeetings.com/filestream.ashx?DocumentId=40219>

Enterprise Risk Management Policy – Adopted by Council on September 11, 2018 –

<https://pub-greatersudbury.escribemeetings.com/filestream.ashx?documentid=4807>

Enterprise Risk Management Update Presentation, April 20, 2021 -

<https://pub-greatersudbury.escribemeetings.com/FileStream.ashx?DocumentId=39845>

Appendix A: Key Enterprise Risks

Key Enterprise Risk	Likelihood	Consequence	Risk Level	Risk Owner	After Mitigating Strategies, is there Residual Risk?
1. Misalignment may exist between financial resource allocations and Council's priorities	Almost Certain	Moderate	Significant	CAO	YES, within risk tolerance parameters
<p>Comment: This risk's likelihood has increased since 2021, resulting from changes in provincial policy and continued constraints on municipalities that sustain a high reliance on property tax revenue to support programs and services. Consequences remain high, as misalignment can lead to inefficiencies and decreased service quality.</p>					
2. Asset renewal investments may be insufficient to maintain acceptable condition and service levels	Almost Certain	Major	Critical	GM of Corporate Services	YES, work initiated but additional investment required
<p>Comment: With relatively substantial annual capital budgets, the likelihood of this risk has remained relatively stable. This risk's likelihood has potential to decrease as efforts continue to consolidate municipal facilities, invest in asset renewal using robust condition assessments and data literacy grows so there is consensus about service expectations. Offsetting these positive developments is the reality that inflation and price increases mean budgets are increasingly insufficient to sustain known renewal/replacement investments. Consequences may have increased as aging infrastructure requires more maintenance and renewal.</p>					
3. The corporation, or the city as a whole, is insufficiently resilient to respond to environmental or economic shocks	Possible	Severe	Significant	CAO/ Director of Economic Development	YES, within risk tolerance parameters
<p>Comment: The likelihood of this risk has increased due to the growing frequency and severity of environmental and economic shocks. Efforts to anticipate and realize economic development opportunities through a variety of ways, such as via the Employment Land Strategy, Future Ready Development Services Subcommittee and Climate Change Adaptation Plan, help keep the likelihood from increasing. Consequences remain high, as inadequate resilience can disrupt critical services and community well-being.</p>					
4. Global connections and business attraction/development efforts may be insufficient for ensuring Greater Sudbury's economic competitiveness	Possible	Major	Significant	CAO/ Director of Economic Development	YES, within risk tolerance parameters
<p>Comment: Likelihood has decreased slightly as outreach efforts between political, private sector and administration to manage relationships with senior governments and private sector helps prepare the city respond to global clean-tech and battery-electric vehicle manufacturing</p>					

Key Enterprise Risk	Likelihood	Consequence	Risk Level	Risk Owner	After Mitigating Strategies, is there Residual Risk?
<p>opportunities. The evolution of the city's Economic Development Strategy to include the Innovation Blueprint, a community-wide innovation plan developed with support from Professor Dan Breznitz, also supports assessments that the likelihood of this risk has declined. Consequences may also have decreased with continued improvements in business attraction strategies and continued focus on policy/process improvements that support community growth and development.</p>					
5. Communications and engagement efforts may be insufficient for building resident trust and confidence	Likely	Moderate	Significant	CAO/ Director of Communications and Community Engagement	YES, within risk tolerance parameters
<p>Comment: The likelihood of this risk becoming real has increased, as societal mistrust in institutions has increased over the last two years. Consequences remain moderate, as trust and confidence are vital for community support.</p>					
6. Existing human capital management policies and practices may be insufficient for attracting, managing, developing and retaining top talent to support existing and future operations	Possible	Moderate	Significant	GM of Corporate Services	YES, within risk tolerance parameters
<p>Comment: The likelihood of this risk has declined due to the successful introduction of several enterprise changes via the Human Capital Management Plan (HCMP). Over the last 18 months each General Manager and the CAO, supported by a Project Director reporting to the CAO, led change initiatives with staff who volunteered to assist with the work. These change efforts addressed:</p> <ul style="list-style-type: none"> - <u>Workforce capacity</u>, resulting in a new employee onboarding process, the creation of employee core training modules, guidance for addressing difficult to recruit roles, and the introduction of an Employee Value Proposition that will, among other uses, assist with recruiting efforts - <u>Innovation</u> – resulting in the design, configuration and deployment of “MyHR”, a suite of online employee self-service options that includes online job posting/recruiting - <u>Effective Leadership</u> – resulting in analysis and guidance to support effective succession planning, a series of training courses for frontline and senior leaders, revisions to the competency framework that guides leader development and performance evaluation and changes to the individual performance management process - <u>Diverse, Healthy and Respectful workplace</u> – resulting in a Diversity, Equity and Inclusion policy and increased emphasis on physical safety, mental health and wellness 					

Key Enterprise Risk	Likelihood	Consequence	Risk Level	Risk Owner	After Mitigating Strategies, is there Residual Risk?
<p>Consequences have increased due to increased competition for top talent and relatively limited access to the specialized skills and experience needed to deliver increasingly complex municipal services.</p>					
<p>7. The corporation may be unprepared for the effects of climate change</p>	Likely	Severe	Significant	GM, Growth and Infrastructure	YES, work initiated but additional investment required
<p>Comment: The probability has increased due to the escalating impacts of climate change and, combined with the effects of Risk (1) described above, limited potential to address enterprise- or community-wide investments that could accelerate climate change preparations and resilience. Consequences have likely increased along with the growing severity/intensity of climate events, posing threats to infrastructure and the environment.</p>					
<p>8. Corporate service delivery may be insufficiently supported by appropriate technology, datasets, training or equipment</p>	Possible	Major	Significant	GM of Corporate Services	YES, work initiated but additional investment required
<p>Comment: The likelihood of this risk has decreased with investments in technology, data and increased capacity within the organization to create higher data literacy levels. Consequences have increased as technology gaps can hinder service delivery.</p>					
<p>9. Information entrusted to the corporation may be inadequately protected from unauthorized access.</p>	Possible	Major	Significant	GM of Corporate Services	YES, within risk tolerance parameters
<p>Comment: The likelihood of this risk has increased because cybersecurity threats continue to grow. Consequences remain major, as unauthorized access can lead to data breaches and compromise sensitive information.</p>					

Notes:

The following definitions can assist readers understand the perceived likelihood of various risks and facilitate informed decision-making and/or risk mitigation efforts. In the corporation's ERM framework, the definitions for describing the potential likelihood of a risk becoming real are as follows:

- 1. Almost Certain:** This means there is an extremely high likelihood that the risk event will occur. It is virtually inevitable, and there is little doubt that the risk will materialize. This type of risk generally is perceived to have a greater than 95% likelihood of occurrence.
- 2. Likely:** This means there is a strong probability that the risk event will occur, but there may be some uncertainty or factors that could influence the outcome. This type of risk is generally perceived to have between 70% and 95% likelihood of occurrence.
- 3. Possible:** This means there is a reasonable chance that the risk event will occur, but it is not guaranteed. It is within the realm of possibility, but not necessarily expected. This type of risk is generally perceived to have between 30% and 70% likelihood of occurrence.
- 4. Unlikely:** This means the likelihood of the risk event occurring is relatively low. While not impossible, it is not expected to happen frequently or with any regularity. This type of risk is generally perceived to have between 5% and 30% likelihood of occurrence.
- 5. Rare:** This means the risk event is highly unlikely to occur, and the probability of it happening is exceptionally low. It is considered an outlier or an event of extreme infrequency. This type of risk is generally perceived to have less than 5% likelihood of occurrence.

The definitions for describing the potential consequence of a risk that has become real are as follows:

- 1. Severe:** This means the consequences of the risk event are extremely significant and have a substantial and far-reaching impact on the organization. This level of consequence can result in severe financial losses, reputational damage, or even a threat to the organization's existence.
- 2. Major:** This means the consequences of the risk event are significant and have a substantial impact on the organization. While not as extreme as "Severe," "Major" consequences can lead to substantial financial losses, reputation damage, or significant disruptions to operations.
- 3. Moderate:** This means the consequences of the risk event are likely not substantial but nonetheless can impact the organization in a noticeable way. These consequences may result in moderate financial losses, reputational harm, or operational disruptions.
- 4. Minor:** This means the consequences of the risk event likely have a limited impact on the organization. While they may cause some inconvenience or minor financial losses, they do not pose a significant threat to the organization's overall well-being.
- 5. Insignificant:** This means the consequences of the risk event likely have minimal to no impact on the organization. These consequences are typically easily manageable and do not disrupt normal operations or pose a threat to the organization's objectives.

"Risk Level" terms are defined as follows:

Critical Risk: This means the likelihood of the risk event occurring is assessed as "Almost Certain" or "Likely," and the consequences, if it were to

occur, are assessed as "Severe" or "Major." Critical-risk events represent the highest level of risk to the organization. They have a high likelihood of occurrence and could result in severe financial losses, reputational damage, or major disruptions. Immediate and comprehensive mitigation measures are necessary to prevent or minimize these risks.

Significant Risk: This means the likelihood of the risk event occurring is assessed as "Likely" or "Possible," and the consequences, if it were to occur, are assessed as "Major" or "Severe." Significant-risk events have the potential to significantly impact the organization's objectives, reputation, or financial stability. Mitigation efforts are crucial to manage these risks effectively.

Moderate Risk: This means the likelihood of the risk event occurring is assessed as "Possible" or "Unlikely," and the consequences, if it were to occur, are assessed as "Minor," "Moderate," or "Major." Moderate-risk events have a noticeable impact but are not critical to the organization's survival. They require some resources and attention for mitigation.

Low Risk: This means the likelihood of the risk event occurring is assessed as "Unlikely" or "Rare," and the consequences, if it were to occur, are assessed as "Minor" or "Insignificant." Low-risk events pose minimal threats to the organization's objectives, and their impact is manageable without significant resources or additional attention.