



SOUTH YORKSHIRE
PENSIONS AUTHORITY

Risk Management Policy

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Councillor Sue Ellis – Chair of South Yorkshire Pensions Authority

The Risk Management Policy was last reviewed in October 2016 and it is appropriate to keep arrangements under review.

The Local Government Pension Scheme is a highly valued service and we are proud of our strong tradition of excellence here in South Yorkshire.

Reform and the challenge faced by Funds in implementing new Pooling arrangements support the need for good risk management arrangements.

I therefore recommend the continued adoption of the Risk Management Policy by the Authority.

Section 1 – Overview

- 1.1 Risk Management is central to any organisation’s strategic management and is a fundamental element of good corporate governance. It is a means of maximising opportunities and minimising the costs and disruption caused by undesirable events. The internal control arrangements of an organisation should have the management of significant risks as a principal aim and should link all policies and procedures, which taken together support its effective and efficient operation and enable it to respond to significant business, operational, financial and other risks.
- 1.2 South Yorkshire Pensions Authority (“the Authority”) recognises that it has a responsibility to ensure that there is an effective framework in place for managing risk and maximising opportunity. Such a framework is an enabler for control of the Authority’s assets and liabilities and protection of employees and the community against potential losses. It also helps to minimise uncertainty in achieving its goals and objectives.
- 1.3 The Authority must be satisfied that there are adequate and appropriate systems of internal control for the management of risk in place.

Section 2 – Aims, Objectives, Approach and Benefits

2.1 The key aims of the strategy are to ensure that the Authority:

- Meets specified governance requirements
- Realises the business benefits of formal risk management processes

2.2 Key objectives are to:

- Integrate risk management into the culture of the Authority
- Manage risk in accordance with best practice and adhere to national guidance
- Minimise loss, disruption, damage and injury and reduce the cost of risk, thereby maximising resources
- Protect the Authority's assets
- Anticipate and respond to changing political, economic, sociological, technical, environmental, legal and organisational requirements
- Exploit opportunities
- Preserve and enhance the effectiveness of service delivery
- Inform policy and operational decisions by identifying risks and their likely impact
- Protect the corporate image and reputation of the Authority
- Maintain effective stewardship of the Authority's funds and demonstrate good corporate governance

2.3 Approach – the Authority will achieve these objectives by:

- Approving this Risk Management Policy and keeping it under review
- Ensuring that appropriate resources are allocated to risk management activities
- The Clerk establishing and maintaining the risk management framework identified in this Policy
- Embedding the Risk Management Process as outlined in this document.
- Establishing clear roles and responsibilities for all stakeholders
- Providing risk management training and awareness sessions to Members and officers
- Fully integrating risk management into the organisation's management processes e.g. Planning process, Business Continuity, Partnership arrangements, Financial Planning
- Actively maintaining awareness of current best practice via other organisations, publications and networking

2.4 Benefits expected:

- A framework for consistent and controlled activity
- Improved decision making, planning and prioritisation through structured understanding of business activity and associated threats/opportunities
- An aid to appropriate allocation of funding and resources
- Protection of assets and the organisation's image/reputation
- Helps to optimise operational efficiency
- Helps to develop and support people and the organisation's knowledge base

3.1 Pensions Authority

Role:

- To ensure that a comprehensive approach to risk management is developed and implemented by the Authority
- To oversee the effective management of the Authority's risks; and
- To approve the Authority's risk strategy.

Responsibilities:

- Helps to develop and support people and the organisation's knowledge base
- To gain a broad understanding of risk management and its benefits;
- To challenge officers to ensure that risks are considered and documented in all reports.
- To consider the Authority's Risk Register on an annual basis and to annually review the Strategic Plan

3.2 Corporate Planning and Governance Board

Role:

- To oversee the development of the Authority's Risk Register;
- To oversee the effective management of risks by officers by receiving and considering bi-annual monitoring reports on risk from officers; and
- To get involved in the identification of high level, strategic risks.

Responsibilities:

- To require officers to develop and implement an effective framework for risk management; and
- To require officers to report upon significant risks on a regular basis.

3.3 Clerk

Role:

- To support and develop the risk management culture of the Authority;
- To develop and maintain a risk management framework within the Authority; and
- To report to the Authority periodically on the operation of the risk management framework.

Responsibilities:

- To ensure there is a written strategy in place for managing risk;
- To ensure the Authority has clear structures and processes for risk management which are successfully implemented;
- To ensure the Authority has developed a corporate approach to the identification and evaluation of risk which is understood by all staff;

- To ensure the Authority has well defined procedures for recording and reporting risk;
- To allocate resources for the maintenance of the Authority's risk register
- To ensure that regular reports are presented to the Authority (or Boards as appropriate) of significant risks facing the Authority;
- To provide advice on the risk implications of any decisions Members of the Authority are required to make;
- To ensure there are well-established and clear arrangements for financing risk;
- To ensure the Authority has developed a programme of risk management training for relevant staff; and
- To ensure that Members receive sufficient and appropriate information and training on risk management.

In discharging these responsibilities the Clerk is supported by the Fund Director and Head of Pensions Administration and other senior officers. Risk management is a standing item on the agenda of the Pensions Planning Group, which is chaired by the Deputy Clerk

3.4 Pensions Planning Group

Role:

- To develop, maintain and oversee risk management and reporting within the Authority; and
- To maintain the Authority's Risk Register.

Responsibilities:

- The identification and evaluation of significant risks that should be reported and monitored at a corporate level;
- The registration of key risks on Authority's Risk Register; the register to be maintained and updated by the Risk Co-ordinator appointed by the Clerk.
- Action planning to mitigate the impact of risks on the achievement of the Authority's objectives.
- Ensure that risk controls and scores are reviewed on a regular basis by the functional teams.
- To identify "risk owners" for the significant risks who will be responsible for managing the risk and ensuring that the actions identified to mitigate the risk are carried out.

3.5 Strategic Risk Owners

- To complete all actions identified by the Pensions Planning Group.
- To report to the Pensions Planning Group on progress of work on the actions to mitigate the risk.

3.6 Service Response

The Fund Director and his senior colleagues within the Service will be responsible for:

- Identifying the operational risks to the achievement of the Authority's objectives;
- Evaluating those risks, prioritising them and recommending the appropriate action to the Pensions Planning Group;
- Monitoring all operational risks on the Service Risk Registers.
- Undertaking a regular review of risk controls and scores for all current risks.
- Providing guidance and training for staff on risk awareness.

3.7 Internal Audit and risk management advice

- The risk management process will be subject to audit.
- Additional advice can be made available through BMBC 's risk management adviser
- Internal Audit will provide advice on risk management processes.
- Internal Audit will regularly review the risk registers and incorporate risk areas into its work programme as appropriate.

Appendix 1 sets out further procedural guidance.

Appendix 1 - Definitions and processes

1. What is Risk?

- 1.1 Risk can be defined as the threat that an event or action will adversely affect the organisation's ability to achieve its own objectives.
- 1.2 A 'risk' is made up of an **EVENT** which if it manifests will have a **NEGATIVE IMPACT** on the organisation's **OBJECTIVES**.
- 1.3 Risk is usually expressed in terms of the probability or likelihood of an occurrence, together with the possible impacts, usually expressed by a financial loss as well as other impacts. The mechanism used to assess risk logged on the SYPA risk register is detailed in Appendix One.
- 1.4 However, risk should also be considered and thought of in more positive terms, by considering both missed opportunities, and opportunities that have not yet been maximised or fully exploited.

2. What is Risk Management?

- 2.1 Risk Management is the structure, processes and culture that are employed by an organisation to assist in the maximisation of opportunities whilst minimising any associated uncertainty.
- 2.2 Risk Management assists in the delivery of the organisations own agenda, including the delivery of strategic objectives for SYPA, which are as follows:
 - **The Best:** to be the pensions administrator and investment manager of choice, providing a high quality cost effective and efficient service to all our customers.
 - **Investment Returns:** to maintain an investment strategy that obtains the best financial return, commensurate with appropriate levels of risk, to ensure the Fund can meet both its immediate and long term liabilities.
 - **Responsible Investment:** to develop our investment options within the context of a socially responsible and sustainable investment strategy.
 - **Valuing our Employees:** to develop the capacity and capability of our workforce, including embedding equality and diversity practice and investing in our staff development.
 - **Pensions Planning:** to encourage and support well informed pensions planning and investment amongst our member organisations and their employees.

- **Effective and Transparent Corporate Governance:** to uphold and exemplify effective governance showing prudence and propriety at all times.

3. Why Manage Risk?

- 3.1 Managing the risks that could adversely influence and affect the ability to achieve organisational objectives is an essential element of SYPA's corporate governance arrangements and internal control framework. This is recognised in the Accounts and Audit Regulations 2015, section 3, which requires Authorities to have effective arrangements for the management of risk.
- 3.2 The aim of the risk management policy and strategy is to manage risks that threaten the successful delivery of organisational objectives, and where possible, reduce these to acceptable levels. However, it is not the intention to be risk averse, and it is recognised that risk taken in the pursuit of organisational objectives will not always be capable of being mitigated to agreed, acceptable levels.
- 3.3 Considerable progress has been made throughout SYPA with regard to the introduction of risk management policies and procedures which contribute to the development of an overall risk management culture within the organisation.
- 3.4 This strategy sets out how a culture of risk management will be further developed in the next few years. The essential elements required to encourage the further development of a risk management culture are an agreed policy, processes and framework, without imposing undue regulation.
- 3.5 Risk Management should be seen to be an essential enabler to the delivery of services, the achievement of objectives and the effective performance management of the organisation.

4. Risk Management Policy

4.1 Policy

- 4.1.1 The risk management policy sets out the overall vision and purpose of risk management within SYPA, and defines the objectives necessary to support the successful delivery of that vision, and details how those objectives will be supported.
- 4.1.2 The policy is subject to regular review and any proposed amendments are to be agreed by the Executive Management Team, the Pensions Planning Group (who have subsumed the terms of reference of a 'Risk Group'), and subsequently, the SYPA Corporate Planning and Governance Board.

4.2 Strategy

4.2.1 The purpose of the strategy is to identify the components for delivering the policy, and to ensure that risk management arrangements are maintained throughout the organisation. The components of the strategy include:

- Roles and Responsibilities (covered in section 3 of the main report);
- Risk Management Process (section 6);
- Risk Review (section 7);
- Risk Tolerance Acceptance (section 8);
- Risk Recording (section 9);
- Guidance, training and facilitation (section 10);
- Assurance (section 11);

These components are detailed further below.

4.2.2 Whilst the principles and mechanics of risk management remain fairly constant, the environment in which SYPA operates is changing fast. Where there is change, there is often risk and it is therefore critical that across the organisation, employees, Managers and Elected Members are clear about the risk management framework and its intended benefits to minimise the chance of something going wrong or missing an opportunity.

5. Risk Management Process

5.1 The risk management process provides a systematic and effective method of identifying and managing risk at different levels within the organisation. This process requires every risk to be:

- Identified, described and owned / allocated to a named manager;
- Assessed in terms of the overall 'concern' regarding the risk;
- Mitigated; and,
- Reviewed.

5.2 Risks are contained within the SYPA Corporate risk register. Each risk is reviewed on a regular basis and any new or emerging risks are considered at that time.

5.3 Procedural guidance regarding the management and maintenance of the risk register can be located within Appendix 2.

6. Risk Review

6.1 Each risk register is subject to a formal periodic review by risk owners both in relation to current risks, and the consideration of new and emerging risks. Following each review, those risks falling outside of defined acceptance levels should be escalated and reported to management in accordance with the risk tolerance / acceptance model.

6.2 Procedural guidance regarding the management and maintenance of the risk register can be located within Appendix One.

7. Risk Tolerance / Acceptance

7.1 It is recognised that at times risks which exceed agreed tolerance or acceptance levels will be accepted in the pursuit of an objective. Procedures are in place to ensure these risks are appropriately recognised and reported. Equally, risks which fall within agreed tolerance or acceptance levels can be revised to ascertain whether resources can be safely channelled to other areas that require more urgent mitigation.

7.2 Risk Appetite is the overall level of exposure to risk which is deemed acceptable within the organisation. It is a series of boundaries, authorised by senior management in order to give clear guidance on acceptable limits of risk.

7.3 Risk Appetite is translated into risk tolerance or acceptance levels, which are defined using Current and Target risk assessment scores for individual risks. Risks which fall outside of the agreed risk tolerance or acceptance levels are reported to senior management, using the risk tolerance / acceptance model:

Current Category Score	Target Category Score	Comment
5 – 6 (Green)	5 – 6 (Green)	Monitored and Reviewed via risk register reviews.
3 – 4 (Amber)	5 – 6 (Green)	Managed and Monitored via risk register reviews.
3 – 4 (Amber)	3 – 4 (Amber)	Managed and Monitored via risk register reviews.
1 – 2 (Red)	5 – 6 (Green)	Managed and Mitigated via risk register reviews.
1 – 2 (Red)	3 – 4 (Amber)	Managed and Mitigated via risk register reviews.
1 – 2 (Red)	1 – 2 (Red)	Escalated.

7.4 All decision making reports are required to provide details of any potential significant risks in proposed policy changes, programmes or projects. The report must include a specific section on risk management implications, where an articulation of the significant risks associated with the proposal, along with assurances that appropriate risk mitigation actions are (or will be) in place should be included. This activity will ensure that report authors are able to provide accurate and appropriate information to interested parties regarding the management of risk.

8. Risk Recording

- 8.1 Specific templates are in place for the recording of SYPA owned risks. These templates (utilising Microsoft Excel) provide a structured and consistent approach to the recording and categorising of risks, across all risk registers. The benefits of this common approach include the ability to compare risk profiles across areas of the organisation, as well as allowing for the development of an overall risk profile for the SYPA.
- 8.2 Risk Registers incorporate specific information about individual risks such as:
- Clearly defined risk title / description;
 - Risk Owner;
 - Control Measures in place;
 - Risk Concern Rating; and,
 - Risk Mitigation Actions (including Owner, Review Date and progress);
- 8.3 Procedural guidance regarding the management and maintenance of risk register can be located within Appendix One.

9. Guidance, Training and Facilitation

- 9.1 Comprehensive information regarding the risk management framework can be found on the Authority's website.
- 9.2 Periodic training for SYPA Members and officers can be facilitated by contacting the SYPA Pensions Planning Group, or by contacting the Risk and Governance Manager (BMBC).

10. Assurance

- 10.1 The provision of assurance that risks are identified, understood, and appropriately managed is an essential measure of the adequacy and effectiveness of the organisation's risk management arrangements.
- 10.2 The SYPA Executive Management Team ensure the development and presentation of the following documents, designed to provide assurances to interested parties, as follows:
- A bi-annual report to the SYPA Corporate Planning and Governance Board regarding the progress made in reducing all significant risks (assessed as being 'red') that are logged in SYPA risk registers;
 - All reports to Corporate Planning and Governance Board and the Pensions Authority contain a mandatory section which provides an opportunity to consider risk management implications.

- 10.3 An annual, independent review of the organisation's risk management arrangements is undertaken by the SYPA Internal Audit function. This is intended to provide independent and objective assurances regarding the adequacy and effectiveness of the organisation's risk management arrangements. The audit focuses on:
- Verifying the existence of risk registers, and risk management action plans;
 - Analysing whether risk management is being actively undertaken throughout the organisation; and,
 - The provision of appropriate advice and guidance on how to further improve risk management processes and procedures.
- 10.4 The risk management arrangements of SYPA are also subject to review as part of the organisation's Annual Governance Review, which is the process that underpins the production of the SYPA Annual Governance Statement.

APPENDIX 2 – Risk Management Process

1. Risk Management Process Overview

- 1.1 The risk management process provides a systematic and effective method of identifying and managing risk at different levels within the organisation. This process requires every risk to be:
- Identified, described and owned / allocated to a named manager;
 - Assessed for in terms of the level of ‘concern’ the risk poses;
 - Mitigated; and,
 - Reviewed.
- 1.2 Risks are subject to a formal periodic review by risk owners both in relation to current risks, and the consideration of new and emerging risks. Following each review, those risks falling outside of defined acceptance levels should be escalated and reported to management in accordance with the risk tolerance / acceptance model.

2. Risk Management Process – Risk Identification

- 2.1 Effective risk identification requires that the significant threats, risks and opportunities regarding the achievement of the organisations objectives, priorities and project ambitions are identified.
- 2.2 In order to ensure the ‘right’ risks are identified, consideration should be given to employing a number of techniques listed below:
- Workshop Events – a facilitated session where interested parties are able to meet and discuss the risk implications of a particular activity or project in detail;
 - Checklists – working through a series of listings, which may have been developed from previous risk management experience and knowledge which allows for generic risks to be selected from a list, and then subsequently redrafted and aligned to the specific activity or project in hand (see 2.3);
 - Flow Charts – the flow chart is not restricted to the organisational structure of the company. It can be used to describe any form of ‘flow’ within the organisation. In any organisation there will be many different aspects of flow. For example, there will be a service flow as the organisation attempts to satisfy the demands of its customers. There will also be accounting flows, marketing flows, distribution flows and many others; and,
 - Process Mapping – By representing processes diagrammatically or mapping them it is possible to see the way to improve things. If this is applied to the

management of risks it is possible to see clearly the potential for losses or the opportunities to maximise potential in the way that risks are dealt with;

2.3 Whilst no method of risk identification is guaranteed to ensure all risks will be identified, the following checklists have been developed to assist in the consideration of risk:

Internal Sources of Risk:

- Delivery of Services;
- People / Employees;
- Partnerships;
- Projects; and,
- Change.

External Sources of Risk:

- Regulation;
- The Economy;
- Stakeholders;
- Funders; and,
- Partners.

New and Emerging Risks:

- Changing regulations;
- New Objectives;
- Changing Expectations;
- Technology.

Risk 'Topics':

- Resources;
- Reputation;
- Delivery of services;
- Safeguarding,
- Environment;
- Projects; and,
- Partnerships.

2.4 In order to properly express the risk, consideration should be given to articulating the risk in terms of an **event**, which if it manifests will have a **consequence**, which may have a negative **impact** on the organisation's objectives:



2.5 This principle can also be expressed as follows:

Failure to...	Leads to...	Results in...
Catch the train on time...	Me missing the train...	Me being late for a meeting...

It is important to articulate the risk properly, to enable us to properly understand its impacts and consequences, and to ensure our risk mitigation actions are appropriate.

- 2.6 An appropriate risk owner should also be identified and logged. This is the person or entity best placed to oversee the management of the risk. It is likely the risk, should it manifest will impact upon the risk owners own span of control within the organisation.
- 2.7 The risk consequences are likely to reflect the articulation of the consequence and impact elements of the risk expression of the risk, detailed in section 2.4.
- 2.8 The Current Control Measures for each risk should also be noted. These are the policies, processes and procedures that are already in place to control or affect the risk, and / or the risk's consequences and impacts. It is likely that a number of these Current Control Measures will be sourced from the Authority's own Internal Control and Governance Framework.

3. Risk Management Process – Risk Assessment

- 3.1 It is acknowledged that all of the risks logged in the SYPA Corporate Risk Register are significant.
- 3.2.2 Whilst risk mitigation actions are in place for all risks, and efforts are being made to ensure the intended benefits of such risk mitigation actions are realised, the actual positive impacts of these risk mitigation actions can be can often be hard to express in terms of the risk assessment itself, and ultimately, what are contextually small positive impacts on such significant risks may simply result in the *maintenance* of the assessment, rather than actually *improving* it.
- 3.2.3 Each risk logged on the SYPA risk register benefits from an assessment in terms of its *probability* and its overall *impact*. Using the grid detailed in appendix two, risk owners are able to identify the appropriate probability and impact score based on quantitative factors unique to each risk.
- 3.2.4 Following this assessment, the **overall risk score** can be identified by referencing:
 - The probability of the risk occurring; and,
 - The higher of the two impacts (Financial or 'Other' Impacts).

Against the following grid:

Impact	VH Very High	5	3	2	1	1
	H High	5	4	2	1	1
	M Medium	5	5	4	2	1
	L Low	6	5	5	3	2
	VL Very Low	6	5	5	5	5
		VL Very Low	L Low	M Medium	H High	VH Very High
		Probability				

(The higher the overall risk score is, the 'worse' the risk is.)

3.2.5 Risks are assessed twice – once in terms of the *Current Risk Score*, assuming just the risk control measures are in place, and again, in terms of the *Target Risk Score*, assuming that the risk control measure and the risk mitigation actions (see section 4) are complete, and successful.

4. Risk Management Process – Risk Mitigation

4.1 Risk Mitigations Actions should be identified for each risk. These actions should be designed to either *improve* or *maintain* the current risk assessment. For each mitigation, it is important to ensure they are proportionate to the risk in questions, and that ultimately, the cost or resources required to successfully implement the risk mitigation action are not greater than then potential impact of the risk, should it manifest.

4.2 Each identified risk mitigation action should be SMART:

- S** – Specific
- M** – Measurable
- A** – Achievable
- R** – Resourced
- T** – Time targeted

4.3 An appropriate risk mitigation owner should also be identified and logged. This is the person or entity best placed to oversee the management of the risk mitigation action.

4.4 Each risk mitigation action can have its progress logged in terms of the 'percentage complete'. This provides assurances regarding the progress of each risk mitigation action at each review period.

4.5 A review date for each risk mitigation action should also be logged. This date is the proposed date to review the risk and the risk mitigation action. It is appropriate to

ensure that these review dates are set in advance of the next programmed review, to ensure that the risk mitigation action date has not passed the programmed review date.

5. Risk Management Process – Risk Review

5.1 Regular reviews must be undertaken to ensure risk Control Measures are working effectively and risk mitigation actions to mitigate the effects of risks are progressing. There may be changes to plans, objectives or the proposed delivery of services which bring about new or additional exposures. There may be new risks emerging that may impact upon the organisation. The review process simply involves looking at each risk and reviewing each element:

- i. Is the risk described appropriately? Have circumstances changed that could affect how the risk is currently worded?
- ii. Is the risk owner still the appropriate person to manage and carry the risk forward?
- iii. Are the current controls suitable? Are there any new controls to consider, or have there been any recent control failures that require review in themselves?
- iv. Are the Current and Target risk scores applied to each risk correct? As a consequence of this, is the current risk scoring in terms of probability and impact still correct? Have there been any near misses, or changes to circumstances that may require these scores to be reviewed?
- v. Are the risk mitigation actions identified still relevant?
 - a. Have any risk mitigation action been completed that can now be logged as current control measures? If risk mitigation actions do become complete, can the current risk score be amended?
 - b. Are there risk mitigation actions that remain ongoing, that require a new review date?
 - c. Is the risk mitigation owner still best placed to carry and manage the risk mitigation action?
 - d. Are there any new risk mitigation actions to log, as mitigating actions to existing risks?
- vi. Finally, are there any new or emerging risks to consider, and add to the risk register?

6. Risk Management Process – Risk Registers

6.1 A template corporate risk register is attached. This includes detail guidance regarding the content and maintenance of the register.