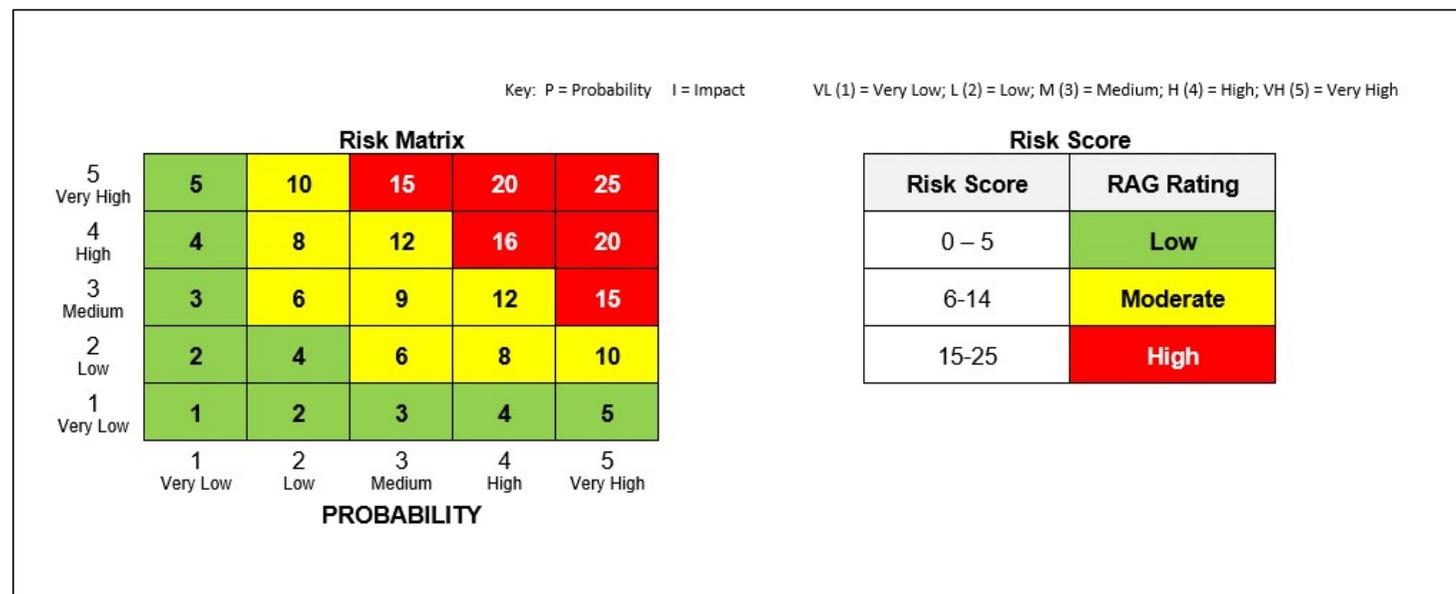


## South Yorkshire Pensions Authority Risk Register As At 16 November 2022

Key:

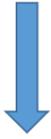


Risk scores changed since last review:

Risk No	Risk Type	Risk Title	Prev Score	New Score	Risk Change at Review
G3	Governance	Breakdown of the control environment	8	6	↓
G4	Governance	Weak or ineffective project management arrangements	16	12	↓
I1	Investment and Funding	Material changes to the value of investment assets and/or liabilities due to major market movements	15	12	↓
I4	Investment and Funding	Imbalance in cashflows	10	5	↓

SOUTH YORKSHIRE PENSIONS AUTHORITY RISK REGISTER

Risk No	Risk Type	Risk Title	Risk Consequences	Risk Owner	Existing Control Measures	Current Score	Probability & Impact	Target Score	Probability & Impact	Risk Mitigation Action	Risk Change at Review	Last Review Date
G1	Governance	Failure of members of the Authority to maintain adequate levels of knowledge and understanding	Poor decision making not supported by appropriate advice. Regulatory criticism/action Insufficient challenge being provided to officers	Corporate Manager - Governance	Member Learning and Development Strategy and associated mandatory requirements. Provision of on-line learning resources and knowledge assessment tools. Provision of internal seminars programme. Support for attendance at appropriate external events. Additional support to complete knowledge assessments for all members. Examination of additional bite size learning options.	12	P=M I=H	6	P=L I=M	Provide further internal seminars and examine options for more individualised "tuition". Members to have completed the majority of mandatory training required by December 2022.  <i>Comment 16/11/2022 :</i> <i>Significant progress made against members mandatory training. 7/12 Authority members and 5/10 Local Pension Board members have completed all six modules.</i> <i>Remaining module training is scheduled for 10/11/2022 and 06/12/2022 to ensure all modules completed and full compliance achieved by 16/12/2022.</i> <i>Further training has been delivered in the following areas: Risk,Investments, Actuarial Matters/Valuations and Climate Change</i> <i>Additional activity will commence in January 2023 to develop individual performance and learning plans for members to identify bespoke training requirements.</i>  <i>At this stage there is no justification for any change in risk score however once all members are compliant this will be reviewed.</i>		16/11/2022
G2	Governance	Failure of members of the Local Pension Board to maintain adequate levels of knowledge and understanding	Poor decision making not supported by appropriate advice. Regulatory criticism/action. Insufficient challenge being provided to officers.	Corporate Manager - Governance	Member Learning and Development Strategy and associated mandatory requirements. Provision of on line learning resources and knowledge assessment tools. Provision of internal seminars programme. Support for attendance at appropriate external events. Additional support from the Board's Independent Adviser	9	P=M I=M	6	P=L I=M	Additional support to complete knowledge assessments for all members Examination of additional bite size learning options Provide further internal seminars and examine options for more individualised "tuition".  <i>Comment 16/11/2022:</i> <i>Si gnificant progress made against members mandatory training. 7/12 Authority members and 5/10 Local Pension Board members have completed all six modules.</i> <i>Remaining module training is scheduled for 10/11/2022 and 06/12/2022 to ensure all modules completed and full compliance achieved by 16/12/2022.</i> <i>Further training has been delivered in the following areas: Risk,Investments, Actuarial Matters/Valuations and Climate Change</i> <i>Additional activity will commence in January 2023 to develop individual performance and learning plans for members to identify bespoke training requirements.</i>  <i>At this stage there is no justification for any change in risk score however once all members are compliant this will be reviewed.</i>		16/11/2022
G3	Governance	Breakdown of the control environment	Exposure to the risk of loss due to fraud or error. Critical external audit reports leading to regulatory action.	Head of Finance and Corporate Services	Documented internal controls. Senior Management review of controls to provide assurance as part of the process for developing the Annual Governance Statement. Effective Internal Audit service to provide assurance to management in relation to the control framework. Ongoing replacement of aging systems which require manual controls with more modern systems which allow controls to be automated	6	P=L I=M	4	P=L I=L	Completion of system replacement and upgrade programmes. Extension of management assurance process to Team Managers. Adoption of Governance Assurance Framework suggested by Internal Audit  <i>Comment 16/11/2022:</i> <i>Internal audit work in the year and other sources of assurance such as the actuary's review of valuation data indicate that any potential control failure is unlikely to fundamentally destabilise the organisation.</i>  <i>This justifies a reduction in Impact from high to medium with a revised risk score of 6 down from 8.</i>		16/11/2022

Risk No	Risk Type	Risk Title	Risk Consequences	Risk Owner	Existing Control Measures	Current Score	Probability & Impact	Target Score	Probability & Impact	Risk Mitigation Action	Risk Change at Review	Last Review Date
G4	Governance	Weak or ineffective project management arrangements	Failure to deliver key projects included within the Corporate Strategy	Director	Some project management training delivered for key staff. Limited project management support. Appointed to redefined role of Project / Programme Manager.	12	P=M I=H	6	P=L I=M	Provide all managers responsible for leading and delivering projects with a standard toolkit to follow to ensure consistent planning and delivery. Institute a more formal and documented process of reporting on the progress of projects.  <i>Comment 16/11/2022:</i>  The Corporate Strategy has a target date of Mar 23 to "Determine a stripped down and appropriately scaled project management process" The Programmes and Performance Team are currently working on this.  A tracker for all corporate projects has been compiled and, in addition, the Projects and Performance officer is conducting a mapping exercise of projects, either planned or underway, being undertaken across all teams. Progress against plans will be monitored and the Team Manager - Programmes and Performance will be reporting on this quarterly to SMT. The progress already made in this area has resulted in the risk score reducing to 12.		16/11/2022
I1	Investment and Funding	Material changes to the value of investment assets and/or liabilities due to major market movements	Sharp and sudden movements in the overall funding level	Head of Investment Strategy	Investment Strategy focussed on relatively lower risk and less volatile investments. Element of inflation protection built into the asset allocation both through specific assets (such as index linked gilts) and proxies such as property and infrastructure.	12	P=M I=H	9	P=M I=M	Ability to implement protection strategies if market circumstances indicate they are appropriate.  <i>Comment 16/11/2022:</i> Markets remain uncertain and while movement in gilt yields may have a positive impact on liabilities, there remains very considerable downside risk to asset values  The resilience of the fund to recent market events makes it reasonable to reduce the potential impact of significant market fluctuations. In view of this the impact score has been reduced from very high to high.		16/11/2022
I2	Investment and Funding	Failure to mitigate the impact of climate change on the value of the Fund's investment assets and liabilities	Significant deterioration in the funding level	Director	Climate Change Policies and Net Zero Goals adopted by both the Authority and Border to Coast. Asset allocation tilted to favour more climate positive investments. Reporting in line with the requirements of TCFD and regular monitoring of the level of emissions from portfolios, with outline targets for reductions. Work commenced to provide more comprehensive data on private market investments.	20	P=H I=VH	12	P=H I=M	Review of Investment Strategy following the 2022 Valuation to integrate the achievement of Net Zero within the Strategic Asset Allocation. Clear targets for emission reduction to be set for all portfolios. Additional engagement with Border to Coast to identify potentially climate positive investments. Analysis of end of year climate data to gain a detailed understanding of the current emissions trajectory.  <i>Comment 16/11/2022:</i> There remains no basis for adjusting this score down however, in line with the last update, in the last quarter targets for the main listed portfolio have been set and the latest estimated trajectory for the achievement of net zero in these indicates a date of around 2045. Whilst not in line with the 2030 goal this does represent an improvement on our previous position.		16/11/2022
I3	Investment and Funding	Failure to manage the key risks identified in the Border to Coast Strategic Plan	Decline in investment performance. Increased costs as a result of the need to move to more expensive products. Potential changes in the risk and volatility levels within the portfolio	Director	Process of engagement between the Company and stakeholders to agree the Company's Strategic Plan and Budget containing appropriate mitigations. Succession and contingency planning arrangements in place within the Company Programme of specific risk mitigations agreed as part of the 2022 - 2025 Strategic Plan and Budget	9	P=M I=M	6	P=L I=M	Ongoing monitoring of Programme of specific risk mitigations set out in 2022 - 2025 strategic plan.  <i>Comment 16/11/2022:</i> Further proposals are to be considered by shareholders over the period up to February when the next version of strategic plan is to be approved. There continues to be evidence that the mitigations already put in place are having some positive impact however there is no justification for a reduction in the risk score at this stage.		16/11/2022
I4	Investment and Funding	Imbalance in cashflows	Inability to pay pensions without resorting to borrowing or "fire sale" liquidation of investments. Potential negative impacts on individual pensioners.	Head of Investment Strategy	Maintenance of "cash buffer" of liquidity sufficient to cover more than one monthly payroll. Process for monitoring and forecasting cashflows	5	P=VL I=VH	5	P=VL I=VH	Further improvements in cashflow forecasting,. Implementation of strategies to more regularly harvest income from investments.  <i>Comment 16/11/2022:</i> This risk is now at an even level. Processes are in place for monitoring cashflow and this is now considered stable, with all mitigations implemented and no further actions that can be put in place.  The probability is now very low and the risk score reduced to the target of 5. The risk will however remain on the register as the position can fluctuate.		16/11/2022

Risk No	Risk Type	Risk Title	Risk Consequences	Risk Owner	Existing Control Measures	Current Score	Probability & Impact	Target Score	Probability & Impact	Risk Mitigation Action	Risk Change at Review	Last Review Date
I5	Investment and Funding	Affordability of contributions	Negative impact on employer financial viability. Default on the making of contributions by employers.	Director	Investment strategy focussed on less volatile investments. Focus in the valuation process on delivering longer term stability in contribution rates. Retention of elements of any surplus to manage the risks to contribution stability.	9	P=M I=M	6	P=M I=L	Adjustments to balance of the investment strategy between growth and protection according to market circumstances  <i>Comment 16/11/2022:</i>  There is no justification for reduction of the risk score at this stage. The triennial valuation results will be issued to employers in November and could potentially give affordability issues, primarily for the academy sector.		16/11/2022
O1	Operational	Failure to maintain effective cyber defences	Significant disruption to the provision of services. Loss / unauthorised release of key data.	Corporate Manager - ICT & Digital	Regularly updated firewalls and other protections. Regular refresher training on cyber security for all staff with a requirement to achieve a minimum level of pass. Regular penetration testing. Cyber Security Essentials Plus Certification	16	P=H I=H	12	P=M I=H	Additional testing of disaster recovery arrangements  <i>Comment 16/11/2022:</i>  There is no justification for reduction in the risk score at this stage however additional measures have been taken in relation to phishing.  A phishing protection review was undertaken in October 2022 and following this a new phishing attack prevention solution is to be implemented in December 2022		16/11/2022
O2	Operational	Impact of poor data quality on operational project delivery	Failure to deliver key projects such as McCloud rectification on time. Provision of inaccurate information to members such as Annual Benefit Statements. Inaccurate data impacting the valuation of liabilities during the triennial valuation.	Head of Pensions Administration	Ongoing data improvement plan. Projects Team put in place to resource specific exercises to address data improvement. Implementation of front end validation of employer data submissions.	12	P=M I=H	6	P=M I=L	Additional actuarial validation checks undertaken on an ongoing basis  <i>Comment 16/11/2022:</i> The valuation and annual benefits statement projects have been completed but data issues linked to the system provider remain. An overriding review of system provision will be completed in February 2022.  There is no justification for a change in risk score at this stage.		16/11/2022
O3	Operational	Data Protection and GDPR	Unauthorised release of personal data. Action by the Information Commissioner.	Head of Pensions Administration	Review process built into processes involving the release of information. Secure e-mail facility used where personal information involved. Mandatory staff training in relation to data protection issues repeated on a regular basis. Regular internal audit work to review and test controls.	12	P=M I=H	6	P=M I=L	Increase in the volume of member correspondence managed through the member portal  <i>Comment 16/11/2022:</i> Data Protection Training is now complete. The DPIA and ISA are drafted and with Internal Audit for review with the expectation of SMT approval December 2022. The Information Governance action plan has been developed and agreed with Internal Audit. Work has commenced on enhancements to data breach process with a view to completion in December 2022. Work will commence on DSAR enhancements during December 2022 along with the review of the Data Protection Policy.  There is no change in the risk score at this stage however it is likely that the next review will see a reduction following the completion of elements of the action plan.		16/11/2022
O4	Operational	Regulatory Compliance	Enforcement action by relevant regulatory authorities	Senior Management Team	Reporting of compliance with relevant standards. Ongoing process of awareness raising and training for staff in relation to operational matters such as TPR Scams requirements. Basic assessment of compliance with TPR CoP 14 in place.	12	P=M I=H	8	P=L I=H	More detailed assessment of compliance with emerging TPR Single Code and other regulatory requirements with associated action plan and enhanced regular reporting. Additional training for Authority and Pension Board Members to enable improved oversight.  <i>Comment 16/11/2022:</i> There is no justification to change the risk score at this stage. TPR Single Code continues to be delayed and will be reviewed once received		16/11/2022
P1	People	Ability to recruit and retain an appropriately skilled and qualified workforce	High level of vacancies	Director	Pay and benefits package with emphasis on employee wellbeing. Career grade scheme in place for Pensions Officers.	12	P=H I=M	6	P=M I=L	Review of pay and benefits package. Introduction of additional personal development opportunities. Introduction of a structured approach to succession planning.  <i>Comment 16/11/2022:</i> The work on the pay and benefits review has commenced and the staffing committee has approved proposals which when implemented should significantly reduce the number of areas where there is a potential single point of failure. The score remains unchanged until the actions contained within resilience plan have been implemented.		16/11/2022