

<b>Subject</b>	<b>Risk Register Update</b>	<b>Status</b>	For Publication
<b>Report to</b>	Local Pension Board	<b>Date</b>	15 February 2024
<b>Report of</b>	Director		
<b>Equality Impact Assessment</b>	Not Required	Attached	Na
<b>Contact Officer</b>	Annie Palmer Team Leader Governance	<b>Phone</b>	01226 666404
<b>E Mail</b>	<a href="mailto:apalmer@sypa.org.uk">apalmer@sypa.org.uk</a>		

## 1 **Purpose of the Report**

- 1.1 To provide members of the Board with the opportunity to review the updated risk register which supports the corporate strategy.
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## 2 **Recommendations**

- 2.1 Members are recommended to:
- a. **Note and comment upon the revised corporate Risk Register at Appendix A.**
  - b. **Note the updated Risk Management Framework at Appendix B.**
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## 3 **Link to Corporate Objectives**

- 3.1 This report links to the delivery of all the corporate objectives because the corporate risk register is focussed on assessing and managing the range of risks to the organisation in meeting any of these objectives.

### **Customer Focus**

To design our services around the needs of our customers (whether scheme members or employers).

### **Listening to our stakeholders**

To ensure that stakeholders' views are heard within our decision making processes.

### **Investment Returns**

To maintain an investment strategy which delivers the best financial return, commensurate with appropriate levels of risk, to ensure that the Fund can meet both its immediate and long term liabilities.

### **Responsible Investment**

To develop our investment options within the context of a sustainable and responsible investment strategy.

## **Scheme Funding**

to maintain a position of full funding (for the fund as a whole) combined with stable and affordable employer contributions on an ongoing basis.

## **Effective and Transparent Governance**

To uphold effective governance showing prudence and propriety at all times.

## **Valuing and engaging our Employees**

To ensure that all our employees are able to develop a career with SYPA and are actively engaged in improving our services.

## **4 Implications for the Corporate Risk Register**

- 4.1 The actions outlined in this report address the entirety of the risk landscape facing the Authority.

## **5 Background and Options**

- 5.1 The Board's workplan requires it to regularly review the Authority's Corporate Risk Register. The latest version of the Register, which was considered by the Authority at its meeting on 7 December 2023, is at **Appendix A**.
- 5.2 As part of agreed management actions arising from an internal audit review of risk management arrangements, a training course on risk management was delivered to SMT and Middle Managers in September 2023 alongside a plan to introduce an additional layer of operational risk registers managed by the Heads of Service and Service Managers that will feed into the strategic corporate risk register.
- 5.3 Outcomes from the training and wider preparation for the additional layer of risk management have resulted in some changes to the format of the strategic register that are incorporated in the document at Appendix A. These include separating out each risk into the component parts of the 'Risk Event' from the 'Risk Causes' and the 'Risk Effects'. The measures to manage the risks – both the existing ones in place and the planned actions – now include the *preventative* measures designed to reduce the likelihood of the risk event occurring and the *mitigating* measures designed to reduce or mitigate the impact should the risk event occur.
- 5.4 Commentary is provided within Appendix A that outlines details relating to each risk, setting out the mitigations currently in place, and the results of the latest review including the reasoning, where relevant, for not changing the scores. The following changes were made to risk scores at the latest full review.

### **Risk Scores Changed:**

- 5.5 *Risk G3 – Breakdown of Control Environment.*  
*Current risk score reduced from 6 to 4. Now at target and will be removed from the register.*
- This risk was originally identified in relation to the specific COVID risk register that was put in place to cover risks arising from lockdown and moving to fully remote working in 2020. The controls and processes and any changes since then have been fully embedded with assurance from internal and external audit.

The control environment is continually kept up to date and risk assessed as part of business as usual activities such as the annual plans for internal audit work, the planning and interim work undertaken by external audit, and the review for annual governance statement assurance. Additionally, operational risk registers will deal with the management of controls and assurance at each service level and any concerns will be escalated to SMT as part of the regular review as and when necessary.

- 5.6 *Risk I1 – Material changes to the value of investment assets and/or liabilities due to major market movements. Current risk score reduced from 12 to 9.*

Evidence over the last 12 months indicates that the Fund has broadly held its value during a period of market volatility, indicating that the impact score can be reduced and the target score achieved. Given nature of this risk however it will remain on the register to be kept under review.

- 5.7 *Risk P2 – Reduced levels of technical knowledge and senior management capacity during period of AD – Pensions vacancy.*

*Current risk score reduced from 12 to 9. Now at target and will be removed from the register.*

This risk was originally added in relation to a specific SMT vacancy to which we have now successfully appointed. This specific risk has therefore been fully mitigated, reached the target score and will be removed from the risk register. (Although, note that a new people risk has been added instead as outlined at paragraph 5.8 below).

**New Risks Added:**

- 5.8 *Risk P3 – Single point of failure due to unexpected vacancies or long term absence/s in specialist knowledge roles.*

This is a new risk and has a moderate risk score at 12 (yellow) reflecting an assessed likelihood of Medium and impact of High. The risk is present partly due to the size of the organisation meaning that some team sizes are very small, and some individual roles carry out a range of specialist tasks without any deputising capacity in place for example.

The measures identified for this risk include those aimed at improving recruitment and retention generally, focus on wellbeing and prevention of absence, maintenance of detailed procedure manuals / work instructions, learning and development strategies to support knowledge transfer, and the intention to produce succession plans and identify specific issues and actions to improve resilience in each of the different teams.

- 5.9 The Board are asked to review the Risk Register and in particular to consider whether any significant areas of risk are not captured.

*Risk Management Framework*

- 5.10 The organisation maintains a risk management policy document entitled the Risk Management Framework. This is reviewed on an annual basis and the latest version, following review and approval of the Audit & Governance Committee in December 2023, is provided at **Appendix B**.

**6 Implications**

- 6.1 The proposals outlined in this report have the following implications:

Financial	None directly from this report but mitigation of individual risks will have implications.
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Human Resources	None directly from this report but mitigation of individual risks will have implications.
ICT	None directly from this report but mitigation of individual risks will have implications.
Legal	None directly from this report but mitigation of individual risks will have implications.
Procurement	None directly from this report but mitigation of individual risks will have implications.

**George Graham**

**Director**

<b>Background Papers</b>	
<b>Document</b>	<b>Place of Inspection</b>
None	N/A