


Corporate Performance Report 2023/24 Quarter 4 – Appendix A

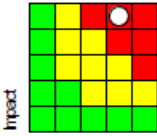
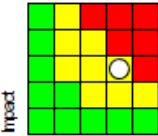
South Yorkshire Pensions Authority – Corporate Risk Register

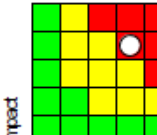
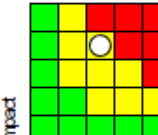
The table below sets out the register of strategic level risks, these are shown ordered by current risk score from the highest to the lowest. The risk scores are shown on a matrix of impact and likelihood – this equates to scores as shown on this key:

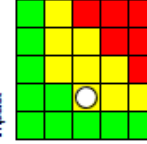
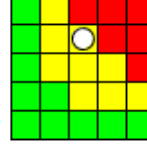
| | | | | | | |
|---------------|----------------|-------------------|----------|-------------|-----------|----------------|
| IMPACT | 5 Very High | 5 | 10 | 15 | 20 | 25 |
| | 4 High | 4 | 8 | 12 | 16 | 20 |
| | 3 Medium | 3 | 6 | 9 | 12 | 15 |
| | 2 Low | 2 | 4 | 6 | 8 | 10 |
| | 1 Very Low | 1 | 2 | 3 | 4 | 5 |
| | | 1 Very Low | 2 Low | 3 Medium | 4 High | 5 Very High |
| | | LIKELIHOOD | | | | |

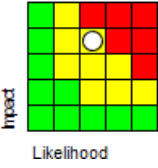
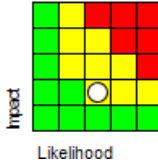
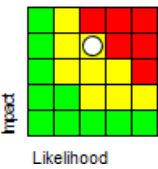
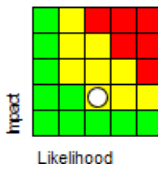
Underneath each matrix in the table, an icon is included to show the trend in the score since the previous review. As no scores have been changed in this latest review, these are all shown as  which indicates no movement.

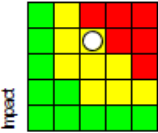

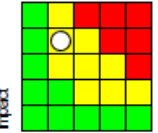

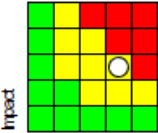

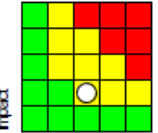

| Existing Preventative Measures | Existing Mitigation Measures | Current Risk Score Matrix | Target Risk Score Matrix | Linked Actions | Commentary from latest review |
|--------------------------------|------------------------------|---------------------------|--------------------------|----------------|-------------------------------|
|--------------------------------|------------------------------|---------------------------|--------------------------|----------------|-------------------------------|

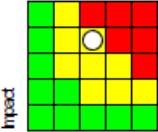

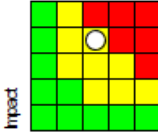

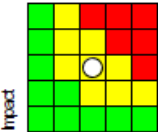

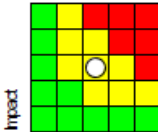

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|--|--|--|---|---|--|
| Risk: IAF - 002 Failure to mitigate the impact of climate change Risk effect: Significant deterioration in the funding level | | | | Risk Owner: George Graham, Director Risk Last Modified Date: 7 May 2024 | |
| None possible. | <ul style="list-style-type: none"> 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. Review of Investment Strategy following the 2022 Valuation to integrate the achievement of Net Zero within the Strategic Asset Allocation. Reporting in line with the requirements of TCFD and regular monitoring of the level of emissions from portfolios, with outline targets for reductions. |  <p>Likelihood</p> <p>Trend: ▬</p> |  <p>Likelihood</p> <p>Trend: ▬</p> | <ul style="list-style-type: none"> 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. Clear targets for emission reduction to be set for remaining portfolios. Climate Change Policies and Net Zero Goals adopted by both the Authority and Border to Coast. | At this stage there is no justification to change the risk score |

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|---|---|---|--|---|--|
| Risk: OPE - 002 Cyber security attack Risk effect: Significant disruption to the provision of services; loss / unauthorised release of key data. | | | | Risk Owner: Andy Ramsbottom, Head of ICT Risk Last Modified Date: 8 May 2024 | |
| <ul style="list-style-type: none"> Regularly updated policies, software and hardware e.g., firewalls etc. to ensure multi-layer cyber security defences. Regular penetration testing. Cyber Security Essentials Plus Certification Regular refresher training on cyber security for all staff with a requirement to achieve a minimum level of pass. Policies and Codes of Practice in place | <ul style="list-style-type: none"> Effective ICT business continuity plan in place. Incident response retainer with specialist security provider Cyber Security Incident Management Policy in place. |  <p>Likelihood</p> <p>Trend: ▬</p> |  <p>Likelihood</p> <p>Trend: ▬</p> | <ul style="list-style-type: none"> Ongoing review and implementation of ICT action plan to enhance cyber security defences | Cyber awareness training delivered to LPB in April 2024. The ICT project plan continues to be progressed however there is no justification to change score at this point. |

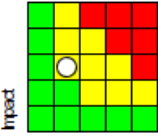

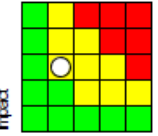

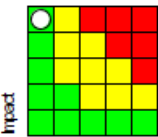

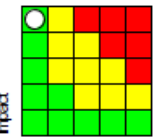

| Existing Preventative Measures | Existing Mitigation Measures | Current Risk Score Matrix | Target Risk Score Matrix | Linked Actions | Commentary from latest review |
|--|---|---|--|--|---|
| <ul style="list-style-type: none"> Targeted threat protections Regular internal and external audits. | | | | | |
| Risk: OPE - 005 Backlogs in work flows Effect: Declines in the overall level of service performance; regulatory penalties; reputational damage | | | | Risk Owner: Debbie Sharp, Assistant Director - Pensions Risk Last Modified Date: 9 May 2024 | |
| <ul style="list-style-type: none"> Improved processes and staff training Targeted overtime to focused areas Changes to work tray allocations Pre live launch testing processes in place. | <ul style="list-style-type: none"> Capacity planning exercise has been undertaken. An action plan considering a range of specific actions to address aspects of problems identified has been developed and is being worked through. |  <p>Likelihood</p> <p>Trend: ■</p> |  <p>Likelihood</p> <p>Trend: ■</p> | <ul style="list-style-type: none"> Capacity planning exercise and focus group outcomes will be considered by members over the Autumn. However, this may take some time to have an impact. Continuation of implementation of the action plan (particularly the automation of certain bulk processes) will provide some mitigation in the interim. Overarching action plan to be developed. Review of processes and policies. | <p>The overarching action plan has been approved and was actioned in February 2024. As per the last update this is still at early implementation stage and being monitored monthly.</p> <p>Whilst progress has been made against some of the additional preventative and mitigating actions there is no justification to reduce the score at this stage.</p> |
| Risk: GOV - 004 Delivery of Key Objectives in Corporate Strategy Effect: Failure to deliver the service to our scheme members set out in our mission statement. | | | | Risk Owner: Will Goddard, Head of Finance & Performance Risk Last Modified Date: 8 May 2024 | |
| <ul style="list-style-type: none"> Programmes and Performance Management Team established. Installed Programmes and Performance Management System | Regular monitoring and review of objectives delivery |  <p>Likelihood</p> <p>Trend: ■</p> |  <p>Likelihood</p> <p>Trend: ■</p> | <ul style="list-style-type: none"> Development and implementation of a programme management framework Implementation and go live of Programme and Performance System | <p>Project management methodology has been rolled out across the organisation, but adoption is currently at an early stage, and we'll be seeking to increase engagement with this as teams and managers get used to the new processes. We are tracking adoption with plans to start sharing this data to help determine where any further support is needed for adopting the framework more fully. Development of the Performance Management Framework is now in progress, but currently in early stages. Risk score remains unchanged.</p> |

| Existing Preventative Measures | Existing Mitigation Measures | Current Risk Score Matrix | Target Risk Score Matrix | Linked Actions | Commentary from latest review | | | | |
|---|------------------------------|--|--------------------------|--|---|---|--|--|--|
| Risk: GOV - 004 Failure to apply data protection requirements Effect: Financial / regulatory penalties; reputational damage; inability to deliver the service. | | Risk Owner: Gillian Taberner, Assistant Director - Resources Risk Last Modified Date: 9 May 2024 | | <ul style="list-style-type: none"> Access to expertise through BMBC Corporate Assurance Team and DPO. ICT control measures. Data protection policies, procedures and training in place. | <ul style="list-style-type: none"> Data breach process in place to ensure correct action taken in the event of a breach and improvements identified. Close liaison with DPO. Reporting to ICO and implementing any recommendations. Data recovery plan in place. |  |  | <ul style="list-style-type: none"> Data Protection Training Implement Information Governance Action Plan | <p>The update to the suite of Data Protection Policies is now complete. Internal Audit review in progress on new policies and procedures with any actions arising to be added to the Data Protection Action Plan. Training will be delivered to identified staff by the end of June 2024. Phase 2 of the action plan is in progress. At this stage there is no justification to reduce the risk score.</p> |
| Risk: OPE - 003 Poor data quality Effect: Inaccurate information leading to incorrect benefits paid; reputational damage; penalties; impact on valuation of liabilities; delays to processing and increase in backlogs. | | Risk Owner: Debbie Sharp, Assistant Director - Pensions Risk Last Modified Date: | | <ul style="list-style-type: none"> Implementation of front end validation of employer data submissions. Use of DART to run daily validations (200 per day) New system testing, releases and updates Dedicated systems team in place Issues and errors reported to System Providers Checking process in existing systems. Targeted staff overtime worked | <ul style="list-style-type: none"> Ongoing development of data improvement plan. Dedicated Programmes and Performance Team Use of DART to run daily validations (200) Projects Team resource to target highlighted issues - bulk data corrections. Use of Hymans data cleansing tool as part of valuation process. Targeted overtime with focus on priority casework |  |  | <ul style="list-style-type: none"> Capacity exercise outcomes Further preventative measures to be assessed to address root cause In house system improvements and efficiencies Robust contract management Targeted staff training | <p>The data improvement plan has been updated. The primary focus is still the GMP Reconciliation and Rectification exercise, and this is still on track for completion Summer 2024.</p> <p>Data corrections for annual exercises have been undertaken but data improvement strategy is still to be implemented.</p> <p>The impact of the revised plan will be monitored however there is no justification to reduce the score at this stage.</p> |

| Existing Preventative Measures | Existing Mitigation Measures | Current Risk Score Matrix | Target Risk Score Matrix | Linked Actions | Commentary from latest review |
|---|--|---|--|--|---|
| Risk: OPE - 004 Failure of the Authority to comply with relevant Regulations Effect: Enforcement action by relevant regulatory authorities | | Risk Owner: Jo Stone, Head of Governance & Corporate Services Risk Last Modified Date: 8 May 2024 | | | |
| <ul style="list-style-type: none"> Service areas are aware of key points of reference for relevant regulations Reporting of compliance within relevant standards. Basic assessment of compliance with TPR General Code of Practice in place. | <ul style="list-style-type: none"> Regular reviews of key policies and processes Ongoing process of awareness raising and training for staff in relation to operational matters Oversight of key updates and awareness of milestone approvals |  <p>Likelihood</p> <p>Trend: </p> |  <p>Likelihood</p> <p>Trend: </p> | <ul style="list-style-type: none"> Additional training for Authority and Pension Board Members to enable improved oversight. Central policy tracker that is regularly reviewed More detailed assessment of compliance with emerging regulatory requirements. Use of tool to assess compliance with TPR General Code and report on this twice per year. | <p>Initial assessment of TPR compliance completed for the new General Code of Practice.</p> <p>Policy Tracker template created, work ongoing to populate this and develop timeline and procedures to ensure policies are in place and kept up to date.</p> <p>There is no justification to adjust this score at the moment.</p> |
| Risk: PEO - 002 High level of vacancies within the organisation Effect: Inability to deliver the service; negative impact on staff wellbeing; poor staff retention resulting in loss of specialist knowledge. | | Risk Owner: Gillian Taberner, Assistant Director - Resources Risk Last Modified Date: 8 May 2024 | | | |
| <ul style="list-style-type: none"> Career grade scheme in place to develop in house specialists. Targeted advertising including using social media Introduction of hybrid working and existing flexi scheme | <ul style="list-style-type: none"> Capacity planning to identify additional resources. Regular one to ones, review of workload and work life balance. Promotion of wellbeing initiatives. Provision of Counselling, Occupational Health and Employee Assistance Programme. Investment in training and development. Market supplements to secure specialist roles. |  <p>Likelihood</p> <p>Trend: </p> |  <p>Likelihood</p> <p>Trend: </p> | <ul style="list-style-type: none"> Develop action plan following 2023 employee survey findings. Implementation of Pay & Benefits review and talent attraction via Employee Value Proposition Increase in staffing following capacity planning. | <p>The planned actions are in progress currently but not yet sufficiently progressed to result in a change to the risk score at this stage.</p> |

| Existing Preventative Measures | Existing Mitigation Measures | Current Risk Score Matrix | Target Risk Score Matrix | Linked Actions | Commentary from latest review |
|--|---|---|--|--|--|
| Risk: PEO - 003 Single point of failure in specialist knowledge roles Effect: Failure to deliver service and reduced service quality; reputational damage; impact on staff morale and wellbeing. | | | | Risk Owner: Gillian Taberner, Assistant Director - Resources Risk Last Modified Date: 8 May 2024 | |
| <ul style="list-style-type: none"> ▪ Revised pay and benefits package ▪ Range of policies for supporting wellbeing ▪ Documented procedures and work instructions ▪ Learning and development plans and knowledge transfer | <ul style="list-style-type: none"> ▪ Organisational Resilience Plan. ▪ Lessons learned to identify single points of failure. ▪ Ability to call on external third party support. ▪ Regular one to ones, review of workload and work life balance. ▪ Promotion of wellbeing initiatives. ▪ Provision of Counselling, Occupational Health and Employee Assistance Programme. |  <p style="text-align: center;">Likelihood</p> <p style="text-align: center;">Trend:</p>  |  <p style="text-align: center;">Likelihood</p> <p style="text-align: center;">Trend:</p>  | <ul style="list-style-type: none"> ▪ Identify single points of failure in each service. ▪ Service- specific plans to address this through: <ul style="list-style-type: none"> ○ Knowledge transfer ○ Succession Planning ○ Identifying options for third party support / services as appropriate or for contingency purposes ○ Actions being taken as part of Pensions Administration structure change. | <p>There have been no specific changes since the last review. No justification for changing the risk score. The actions required encompass a range of activity across the organisation that will be progressed and implications for the risk score reviewed on an ongoing basis.</p> |
| Risk: IAF - 001 Material changes to the value of investment assets and/or liabilities Effect: Sharp and sudden movements in the overall funding level | | | | Risk Owner: Sharon Smith, Assistant Director – Investment Strategy Risk Last Modified Date: 7 May 2024 | |
| <ul style="list-style-type: none"> ▪ Having a diversified Investment Strategy focussed on relatively lower risk and less volatile investments. | <ul style="list-style-type: none"> ▪ 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. |  <p style="text-align: center;">Likelihood</p> <p style="text-align: center;">Trend:</p>  |  <p style="text-align: center;">Likelihood</p> <p style="text-align: center;">Trend:</p>  | <ul style="list-style-type: none"> ▪ Ability to implement protection strategies if market circumstances indicate they are appropriate. | <p>This risk remains at the target score. Given nature of the risk it will remain on the register.</p> |

| Existing Preventative Measures | Existing Mitigation Measures | Current Risk Score Matrix | Target Risk Score Matrix | Linked Actions | Commentary from latest review |
|--|---|--|--|---|---|
| <p>Risk: IAF - 003 Failure to manage key risks in the Border to Coast Strategic Plan Effect: Decline in investment performance; increased costs if need to move to more expensive products; potential changes in the risk and volatility levels within the portfolio</p> | | <p>Risk Owner: George Graham, Director Risk Last Modified Date: 7 May 2024</p> | | | |
| <ul style="list-style-type: none"> 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 | <ul style="list-style-type: none"> Programme of specific risk mitigations agreed as part of the 2022 - 2025 Strategic Plan and Budget |  |  | <ul style="list-style-type: none"> Ongoing monitoring of Programme of specific risk mitigations set out in 2022 - 2025 strategic plan | <p>This remains as the last update - The progress against the plan will be reviewed at the September Authority meeting and it is likely that the risk score will reduce following the June review.</p> |
| <p>Risk: IAF - 005 Employer contributions become unaffordable Effect: Default on the making of contributions by employers</p> | | <p>Risk Owner: George Graham, Director Risk Last Modified Date: 7 May 2024</p> | | | |
| <ul style="list-style-type: none"> Investment strategy that is focused on long term returns and reduced volatility Reviews of employer covenant and ongoing monitoring of funding levels | <ul style="list-style-type: none"> Phasing of increases and stabilisation mechanism in the valuation Negotiated exit depending on the type of employer Ability to undertake contribution reviews |  |  | <ul style="list-style-type: none"> More systematic review of employer covenants More systematic use of the funding monitoring tools provided by the actuary | <p>Initial engagement with larger employers indicates that there is likely to be pressure to reduce the overall level of contributions at the next valuation. At this stage it is not clear what the valuation outcome will be so it is not possible to judge where any balance between the differing interests of the fund and employers will be struck. Therefore, the score for this risk remains as previously.</p> |

| Existing Preventative Measures | Existing Mitigation Measures | Current Risk Score Matrix | Target Risk Score Matrix | Linked Actions | Commentary from latest review |
|---|---|--|---|---|--|
| Risk: GOV - 001 Insufficient knowledge and understanding of Authority and LPB Members Effect: Poorly informed decision making; regulatory / legislative non-compliance; insufficient questioning and challenge of officers. | | Risk Owner: Jo Stone, Head of Governance & Corporate Services Risk Last Modified Date: 8 May 2024 | | | |
| <ul style="list-style-type: none"> Member Learning and Development Strategy and associated mandatory training requirements in place. | <ul style="list-style-type: none"> Annual effectiveness review and action plan Identify changes to legislation and key regulatory requirements that require enhanced knowledge and skills development Continuation of collaborative engagement of Independent Advisers, Internal Auditors and Officers |  <p>Likelihood</p> <p>Trend: </p> |  <p>Likelihood</p> <p>Trend: </p> | <ul style="list-style-type: none"> Any new members will be required to undertake mandatory training to meet essential requirements. Continuous review of the pensions landscape for legislative and regulatory change | <p>Introduction of new away day for members' CPD was successfully delivered in November 2023 and planned for Nov 2024 (to be run annually). With some turnover of membership as we move into the new municipal year, there will be increased activity to support new members through induction and on-boarding.</p> |
| Risk: IAF - 004 Imbalance in cashflows Effect: Inability to pay pensions without resorting to borrowing or "fire sale" liquidation of investments; potential negative impacts on individual pensioners. | | Risk Owner: Sharon Smith, Assistant Director – Investment Strategy Risk Last Modified Date: 7 May 2024 | | | |
| <ul style="list-style-type: none"> Maintenance of "cash buffer" of liquidity sufficient to cover more than one monthly payroll. | <ul style="list-style-type: none"> Process for monitoring and forecasting cashflows |  <p>Likelihood</p> <p>Trend: </p> |  <p>Likelihood</p> <p>Trend: </p> | <ul style="list-style-type: none"> Further improvements in cashflow forecasting Implementation of strategies to more regularly harvest income from investments | <p>This risk remains at target score but will remain on the register due to potential fluctuating circumstances.</p> |