SOUTH YORKSHIRE PENSIONS AUTHORITY

December 2025

Risk Management Framework

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December 2023	14/12/2023	Full review and update of the Framework. As approved at a meeting of the Audit & Governance Committee.	Head of Governance & Corporate Services
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December 2025		Update to include process for closure of risks	Head of Governance & Corporate Services

Contents

1. Foreword

Risk is present in every activity undertaken by the Pensions Authority, and we need to ensure that the risks we face are both recognised and addressed to ensure that we can successfully achieve the strategic objectives set out in our corporate strategy. This policy sets out the framework which we will use to do this. As important as having a clear framework is the attitude we take to risk and the degree of risk we are prepared to accept.

As an organisation responsible for significant investments, we recognise that only by taking some degree of risk will we receive the returns (which are in essence the value of risk) we need to ensure that pensions can be paid. However, it is not our job to take excessive risks and consequently we have defined our appetite for risk as “moderate”. This risk appetite applies to all aspects of our work and very much reflects the culture of the organisation across all aspects of its work.

Having a policy of this sort is crucial to ensuring that we only take risks that are within this risk appetite and that managers across the organisation consistently reflect on risk in their planning anddecision-making processes.

Against this background, where some risk will always exist, SYPA has a duty to manage those risks with a view to safeguarding its employees, protecting its assets, and protecting the interests of stakeholders such as scheme members and employers.

We meet this duty by adopting best practice in risk management which supports a structured and focussed approach to managing risks and ensuring that risk management is an integral part of the governance of the Authority at all levels.

The overall aim is to embed risk management into our processes and culture so that these techniques help us to achieve our corporate objectives and enhance the value of services that are provided to scheme members and employers.

2. The Risk Management Framework

The framework consists of the processes, guidelines and best practice to manage risk effectively while ensuring compliance with relevant regulations and standards.

This framework consists of the following components:

Risk Management Policy Statement	Statement of intent on how SYPA will approach risk.
Risk Management Strategy	Defines the objectives, activities and responsibilities for managing risk and reporting arrangements
Risk Management Process & Guidance	Guidance for staff on how to embed the strategy
Strategic Risk Register	Register which records all corporate risks and who is reponsible for managing them
Operational Risk Register	Register which records all operational risks and who is responsible for managing them
Project/Programme Risk Registers	Register which records all proogramme/project risks and who is responsible for managing them

3. Risk Management Policy Statement and Strategy

SYPA recognises and accepts its legal responsibility to manage its risks effectively, has adopted a proactive approach to well thought through risk taking (balancing opportunity and risk) to achieve its objectives and enhance the value of services to scheme members.

The overall aim being to increase the likelihood of delivering on the corporate objectives by supporting innovation, encouraging creativity, minimising threats and providing an environment where risk management is seen as adding value to service delivery.

Objectives of SYPA'S Risk Management Strategy

- To ensure that appropriate levels of risk management are embedded into the culture and day to day activities of the Authority.
- To raise awareness of the need to manage risks amongst all those concerned with the delivery of the Authority's services, including partners and scheme employers.
- To enable the Authority to anticipate and respond positively to change.
- To establish and maintain a robust framework and procedures for the identification, analysis assessment and management of risk, and the reporting and recording of events based on best practice.
- To ensure the consistent application of this framework and procedures across all aspects of the Authority's work, including significant projects.
- To minimise the costs of risk, while maximising the returns achieved by taking managed risks.

These objectives need to be overlaid onto the objectives set out in the Authority's corporate strategy and it is the combination of these and our risk appetite that will determine how we go about delivering the corporate strategy.

How will we deliver the objectives of the Risk Management Policy and Strategy?

We will take a number of steps to ensure that the objectives of the Risk Management Policy and Strategy are delivered, and that the organisation is aware of the risks which it faces. Principally we will:

- Ensure a consistent approach to recording and monitoring risks by using a risk management software system which will allow a robust reporting overview linked to our strategic objectives.
- Ensure that the management of relevant risks within their sphere of operations is a key accountability of all managers.
- Record, allocate ownership and assess the severity of the key risks facing the organisation in a Strategic Risk Register which will form part of the Corporate Planning Framework.
- Inform and support the strategic risk management process by having a similar process for Operational Risk Registers within each of the services across the organisation.
- Regularly review the Strategic Risk Register (monthly Senior Management Team review and quarterly review by the Authority as part of the corporate performance reporting) in order to ensure that identified mitigations are being undertaken and are resulting in material changes in risk scores, to identify new risks and agree where risks can be removed from the Register.
- Present the Strategic Risk Register to each meeting of the Local Pension Board for their additional scrutiny.
- Regularly review the Operational Risk Registers (monthly reviews by the relevant middle managers and quarterly at Senior Management Team (as part of the framework of Service performance updates). The quarterly update will include any risks that require escalation along with an overview of any risks removed from the operational risk registers.
- Ensure that major projects being undertaken by the Authority have their own risk register maintained by the designated project manager and are reviewed on a regular basis (at least monthly) by the Project Team with reporting to either the relevant Assistant Director or by the Senior Management Team collectively where the project impacts more than one department.
- Assess, as part of the annual corporate planning process, the Authority's risk appetite, and then reflect this assessment in the scoring of the strategic risk register.
- Ensure that all reports for meetings of the Authority, its Committees and the Local Pension Board identify the impacts of proposed actions on the strategic risk register and any specific risks associated with the actions proposed.

How will we know if we have achieved our risk management objectives?

The Risk Management Framework applies to how we do things, rather than what we do, which means that we are only likely to know if the risk management objectives have not been achieved if something goes wrong because we have failed to manage effectively the risks involved.

If we manage to deliver all the various outcomes and outputs within the corporate strategy on time and on budget then self-evidently, we will have managed risk effectively,even though how we have done it may not be particularly apparent. The risk management system will however give a clear overarching assurance of progress in managing both strategic and operational risks.

Thus, the success of this framework should be judged through the overall success of the organisation in delivering its corporate objectives and major projects. The other way of judging the effectiveness of the framework is through the way we operate demonstrating a number of key characteristics which are:

- The work of the organisation being delivered in a consistent and controlled way.
- A structured approach to planning, decision making and prioritisation which recognises the relevant threats and opportunities and drives the allocation of resources.
- A focus on the protection of assets, including the Authority's image/reputation, and knowledge base.
- A focus on achieving maximum operational efficiency.

The effectiveness of management and controls in these areas forms part of the assessment required to produce the Annual Governance Statement and is also reflected in the planned work of Internal Audit and the work external auditors carry out in relation to the Value for Money conclusion.

4. The Risk Management Process

The risk management process requires that every relevant risk:

- Is identified, recorded, described and owned by a named manager.
- Assessed (or scored) in terms of the overall degree of 'concern' regarding the risk.
- Mitigated, and
- Reviewed.

Risks are contained in either:

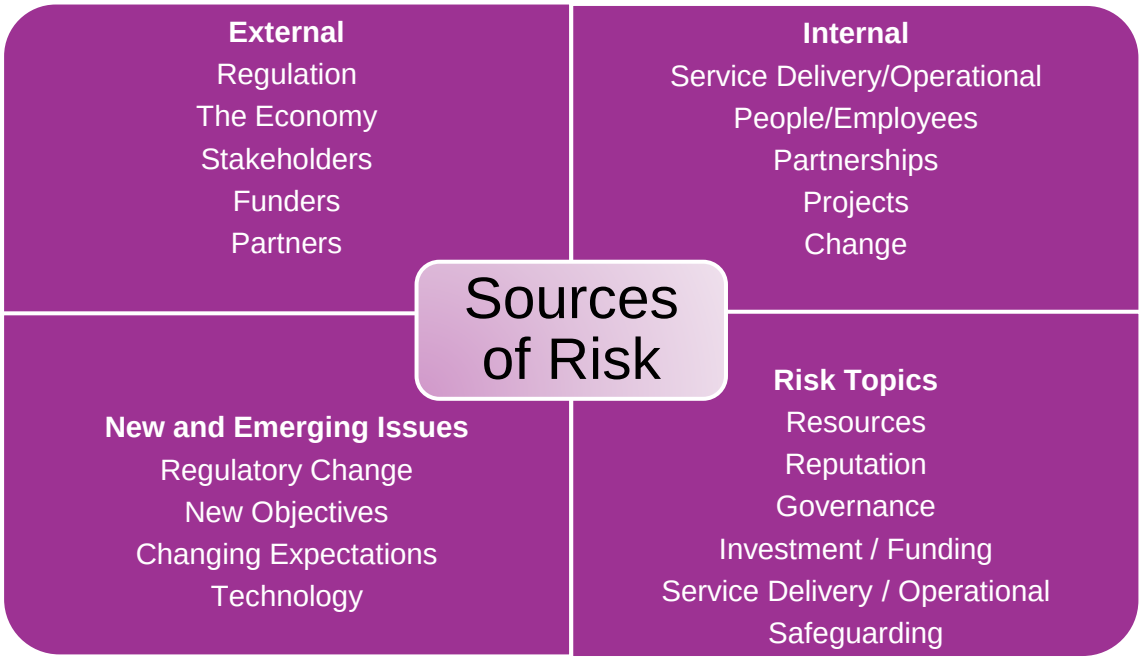
- The Strategic Risk Register.
- The Operational Risk Register.
- A specific risk register linked to a major corporate project.

Each risk must be reviewed on a regular (at least monthly) basis and updated on the risk management system to identify whether the mitigations identified have succeeded in reducing the degree of concern caused by each risk.

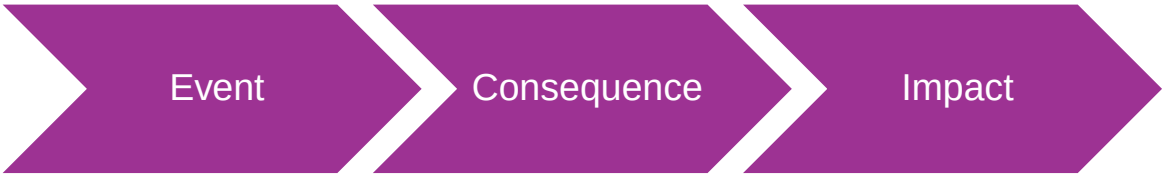
Risk Identification and Recording

Identification of risks will be undertaken by the Senior Management Team in relation to items for inclusion on the Strategic Risk Register, and by the Heads of and Service Managers in relation to items for inclusion on the Operational Risk Register and by the relevant Project Team in relation to project related risks. The relevant team will decide collectively whether the degree of 'concern' associated with each specific issue merits its inclusion on the risk register. The Senior Management Team, Heads of / Service Managers and Project teams may use a variety of methods to identify risks including facilitated workshops, checklists, and process mapping.

No method of risk identification will capture all possible risks, but the graphic below illustrates some of the key sources and types of risk.



In order to properly express the risk, it needs to be considered as an event which if it manifests will have a **consequence** which may then have a negative **impact** on the achievement of the organisation's objectives, as illustrated below.



Risks must be recorded in the risk register once they have been identified. The Strategic Risk Register, Operational Risk Registers and any project risk registers will each have single identified owners responsible for maintaining the integrity of the register including version control, control over additions and deletions and amendments. The information recorded in relation to each risk when added to the register will comprise:

- A clear description of the risk and an appropriate title of the risk event.
- The owner of the risk.
- The control measures currently in place – defined in terms of preventative measures and mitigation measures.
- The score for the risk based on the current controls in place.
- Further control measures to be put in place – also defined in terms of preventative measures and mitigation measures.
- Each of the further control measures must have an owner and a review date.
- The target score for the risk once the further control measures have been put in place.

Any additional mitigation or prevention actions that are significant will be identified for delivery either within the Corporate Strategy or as an objective for an individual member of staff in the appraisal process.

Risk Assessment or Scoring

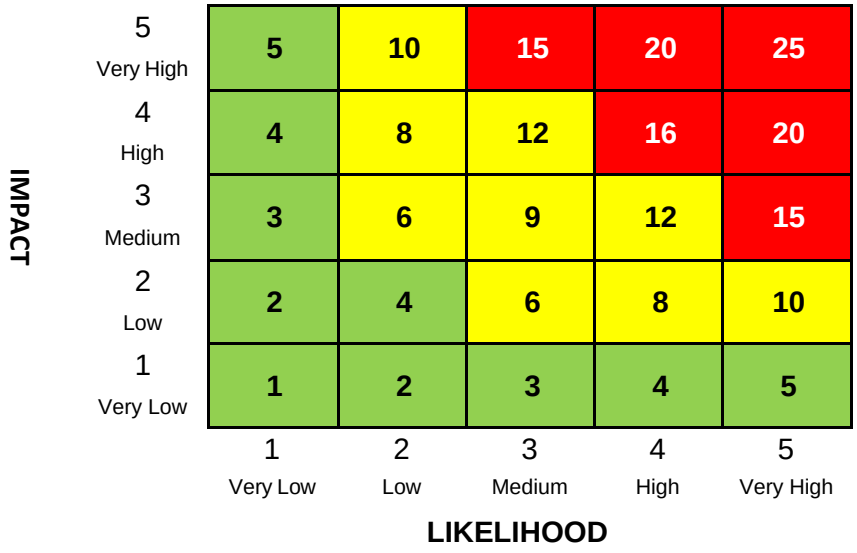
Any risk included in the risk register is likely to be significant, but in order to understand the priority that should be attached to measures for managing any particular risk it is important to understand the relative significance of risks.

This is achieved through a process of assessment or scoring which looks at each risk in two dimensions:

- The likelihood of the risk event taking place; and
- The impact of the event.

The grid below allows an overall risk score to be attached to each identified risk,based on both the current position and the intended (or target) position following the implementation of identified control measures.

Risk Matrix



The definitions of impact and likelihood relating to the work of the Authority are set out in Appendix 1. Because of the different nature of the Authority's investment and other operations, particularly in terms of financial scale, there is a differentiated approach to the metrics used to support the scoring process across the different aspects of the Authority's work.

Risk Management

Each risk recorded should also have one or more actions identified which will reduce either the likelihood or impact of the event. It is important to ensure that each measure to be put in place is proportionate to the risk and that the resources (whether cash or time) required to successfully prevent and/or mitigate the risk are not greater than the potential impact of the risk should the event occur.

Identified preventative and mitigating measures must all have an owner who will be the manager best placed to undertake the required action. In addition, the actions should be SMART, that is:

S–Specific

M –Measurable

A–Achievable

R–Resourced

T–Timebound

The individual performance management process (appraisal and 1:1's) is used to monitor progresson delivery, with major items being reported on through the corporate performance report as these will be reflected as actions within the corporate strategy.

Risk Review

Each risk register (and hence each risk) is subject to a formal review on a not less than monthly basis (for some major projects at some stages of the project life cycle reviews will need to be more frequent). Reviews should be formally recorded in the minutes/notes of the relevant meeting of the Senior Management Team, service area team or project team, prior to the updating of the register.

These records need only refer to amendments agreed to either scoring or control measures, or the addition or deletion of specific risks. The review discussion must consider:

i. Whether the risk continues to be described appropriately. It may be the case that changed circumstances mean a description ceases to be appropriate and therefore the description should be changed.
ii. Whether the risk owner remains appropriate.
iii. Whether the current controls are suitable. For example, have new controls been developed or have current controls failed.
iv. Whether the current and target risk scores are correct / appropriate. For example, have there been “near misses” or changes to circumstances which necessitate a change in the scores.
v. Whether the preventative and mitigating control measures identified are still relevant:
    a. Have actions been completed requiring further control measures to become current controls, which would require a reassessment of the score.
    b. Whether ongoing control actions require a new review date.
    c. Whether the controls owner remains appropriate.
    d. Whether there are new preventative or mitigating measures that can be taken.
vi. Whether there are additional risks to consider for inclusion in the register.
vii. Whether any risks can be closed on the risk register

Following a risk review where amendments have been agreed, the Strategic Risk Register should be updated by each risk owner to reflect the decisions made from the review. The updates must include an indication of the movement in the score for any risk and some commentary as to the changes made and the reasons for them. All of this information is to be captured on the risk management system.

Following each review of Operational Risk Registers or a project risk register, those risks falling outside the defined acceptance levels should be escalated to the Senior Management Team for consideration and possible inclusion in the Strategic Risk Register.

The Governance team will be responsible for ensuring the risk management processes are followed.

Risk Tolerance/Acceptance

It is accepted that there are some risks which must be taken to achieve specific objectives and where the degree of risk cannot be entirely effectively mitigated, however these cases should be relatively rare, and they should be recognised and reported on through the overall reporting processes outlined in this framework. However, in general, the organisation works within an understood risk tolerance or acceptance level (sometimes called a risk appetite), and where risks achieve this level, they can be addressed on a more passive "care and maintenance" basis, allowing resources to be devoted to more urgent priorities.

The risk appetite or tolerance can be defined as the overall level of exposure to risk which is deemed acceptable within the organisation. It is a series of boundaries authorised by Senior Management to give clear guidance on acceptable levels of risk.

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

Current Score Range	Target Score Range	Actions
1 – 5 (Green)	1-5 (Green)	Monitored and reviewed through risk register reviews
6-12 (Amber)	1-5 (Green)	Managed and monitored through risk register reviews
6-12 (Amber)	6-12 (Amber)	Managed and monitored through risk register reviews
15-25 (Red)	1-5 (Green)	Managed and mitigated through risk register reviews
15-25 (Red)	6-12 (Amber)	Managed and mitigated through risk register reviews
15-25 (Red)	15-25 (Red)	Escalated

All decision-making reports are required to provide details of any potentially significant risks arising from the matters considered in the report. The report must include specific references to the significant risks associated with the proposal, alongside assurances that appropriate control measures are (or will be) in place. This ensures that report authors provide accurate and appropriate information about the management of risk.

Guidance, training, and facilitation

This risk management framework is available to all staff on the organisation's internal SharePoint system.

Specialist training will be provided as required and the Governance team provide guidance, support and advice to middle managers on risk management principles and procedures.

Training can be provided for individual officers or for elected members. Any specific requirements should be discussed with the Head of Governance and Corporate Services.

5. Assurance

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.

The Senior Management Team are responsible for ensuring that the following actions are undertaken to provide appropriate assurance to elected members and other stakeholders.

- An update on changes to the Strategic Risk Register within the Corporate Performance report presented to meetings of the Pensions Authority.
- Presentation of the Strategic Risk Register to meetings of the Local Pension Board.
- A formal review of both the risk register, and the risk management framework presented to the Authority's Audit & Governance Committee annually.
- The inclusion within all reports to the Authority, its Committees and the Local Pension Board of a mandatory section allowing proper consideration of the risks involved in the proposals being made.

In addition, the Authority's Internal Audit function will undertake an independent review of the organisation's risk management arrangements on a regular basis. This review is intended to provide independent and objective assurance regarding the adequacy and effectiveness of the Authority's risk management arrangements. The audit focuses on:

- Verifying the existence of risk registers and relevant action plans.
- Analysing whether risk management is being actively undertaken across the organisation; and,
- Providing appropriate advice and guidance as to further improvements in risk management processes and procedures.

Risk management arrangements are also reviewed as part of the process which supports the production of the Authority's Annual Governance Statement.

Appendix 1

Roles and Responsibilities

The responsibility for managing risk extends throughout the organisation. It is important that all of us are aware of our roles. The following table summarises the various roles and responsibilities.

Role	Responsibilities
Pensions Authority	Responsible decision-makers and set the strategic direction of the Authority, including determination of the risk appetite. Review the Strategic Risk Register on a regular basis. Need to be fully apprised of risk consequences to inform decision making.
Audit and Governance Committee	Scrutinise and monitor the effectiveness of risk management arrangements. Obtain assurance on the effectiveness of risk and internal control arrangements.
Local Pension Board	Consider and challenge the Authority's management of risk. Seek assurance that a strong control framework and good governance arrangements are in place.
Senior Management Team	Demonstrate leadership of the risk management process. Ensure the strategic risk register is a live and up-to-date record of the Authority's risk exposure and regularly discussed within management team meetings. Operate and communicate the organisation's risk appetite. Make informed decisions about treatment of significant risks. Provide assurance to Members that appropriate risk management processes are in place across the Authority.

Role	Responsibilities
Middle Managers	Ensure their service's operational risk register is a live and up-to-date record of the operational risk exposure and regularly discussed within team meetings. Understand where an operational risk has a corporate or strategic impact and escalate accordingly. Contribute to the strategic risk management process through identification and management of risks associated with service area. Ensure relevant staff have appropriate understanding of risk management.
Project Leads	Ensure risk is appropriately considered within business cases and procurement reports submitted. Ensure risks are appropriately monitored throughout the lifecycle of projects. Escalate significant risks to the Senior Management Team.
Risk Owners	Understand their accountability for individual risks and the controls in place to manage those risks. Understand that risk management and risk awareness are a key part of the Authority's culture. Report promptly and systematically to senior management any perceived risks or failures of existing control measures.
Governance Team	Develop and maintain the risk management strategy and framework. Ensure this is reviewed annually by the Authority's Audit & Governance Committee. Support managers in the identification and management of risks at Strategic and Operational level. Ensure training needs of all those who have responsibility for managing risk within the Authority are met.

Appendix 2

Detailed Risk Assessment and Scoring Methodology

A 5 x 5 risk matrix covering **Likelihood** and **Impact** (including 'financial' and 'other impacts') is used when assessing the level of risk.

This analysis should be undertaken by managers and supervisors with **experience in the area in question.**

Likelihood				
Very Low (1)	**Low (2)**	**Medium (3)**	**High (4)**	**Very High (5)**
Less than a 5% chance of circumstances arising OR Has happened rarely/never	5% to 20% chance of circumstances arising OR Only likely to happen once every 3 or more years	20% to 40% chance of circumstances arising OR Likely to happen in the next 2 to 3 years OR Risk seldom encountered	40% to 70% chance of circumstances arising OR Likely to happen at some point in the next 1 to 2 years OR Risk occasionally encountered	More than a 70% chance of circumstances arising OR Potential occurrence OR Risk frequently encountered

Financial and Other Impacts				
Very Low (1)	**Low (2)**	**Medium (3)**	**High (4)**	**Very High (5)**
Less than 1% of budget OR Up to £100,000 OR In terms of Investment Assets: <1% change in asset values	1% - 5% of budget OR Up to £250,000 OR In terms of Investment Assets: >1% but <2.5% change inasset values	6% - 10% of budget OR Up to £1m OR In terms of Investment Assets: >2.5% but <5% change inasset values	11% - 20% of budget OR Up to £5m OR In terms of Investment Assets: >5% but <10% change inasset values	Greater than 20% of budget OR Over £5m OR In terms of Investment Assets: >10% change in asset values

Very Low (1)	Low (2)	Medium (3)	High (4)	Very High (5)
Minimal or no effect on theachievement of Authority objectives AND/OR Minimal or no effect on the delivery of Service objectives Little disruption to the deliveryof services Very confident the risk can beimproved AND/OR Very achievable objective Very easily influenced Very tolerable/easy to accept Insignificant injury AND/OR Near miss, no damage incurred to Authority assets Insignificant environmentaldamage Insignificant Reputationaldamage AND/OR No internal coverage/no socialmedia attention	Little effect on the achievement of Authorityobjectives AND/OR Little effect of the delivery ofService objectives Some disruption to the deliveryof services Confident the risk can beimproved AND/OR Achievable objective Easily influenced Tolerable Minor injury AND/OR Incident occurred, minor damage incurred to Authorityassets Minor damage to the immediate local environment Minimal damage to Reputation(minimal negative coverage inlocal press) AND/OR Minimal internal negative coverage/minimal social mediaattention	Partial failure to achieveAuthority objectives AND/OR Partial failure to achieveService objectives Significant disruption to thedelivery of services Moderately confident that therisk can be improved AND/OR Possible to achieve objectiveAble to influence Somewhat tolerable Threat of violence or seriousinjury AND/OR Some damage incurred toAuthority assets Moderate damage to theimmediate or wider localenvironment Significant negative coveragein the local press or minimal negative coverage in regionalpress AND/OR Some internal negative coverage/some social mediaattention	Significant impact on achievingAuthority objectives AND/OR Significant impact on achievingServices objectives Loss of critical services for more than 48 hours, but lessthan 7 days Little confidence the risk canbe improved AND/OR Unachievable objectiveDifficult to influence Out of tolerance but possibleto accept Extensive multiple injuriesAND/OR Significant damage incurred toAuthority assets Major damage to immediate orwider environment Significant negative coveragein regional press AND/OR Significant internal coverage/significant social media attention	Non-delivery of Authorityobjectives AND/OR Non-delivery of Serviceobjectives Loss of critical services forover 7 days Very little confidence that therisk can be improved AND/OR Totally unachievable objectiveVery difficult to influence Out of tolerance- Fatality or multiple majorinjuries AND/OR Total loss of Authority assets Significant damage toimmediate or wider environment Extensive negative coveragein national press and TV AND/OR Extensive internal coverage/extensive socialmedia attention

A numeric value is applied to each of the selections for Likelihood and Impact, these are multiplied together to give the risk score reflected in the matrix below.

Risk Matrix

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

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