

## **Regulatory and Other Committee**

# Open Report on behalf of Executive Director of Finance and Public Protection

Report to: Pensions Committee

Date: 14 July 2016

Subject: Pension Fund Risk Register

### Summary:

This report presents the Pension Fund Risk Register to the Committee for annual review.

### Recommendation(s):

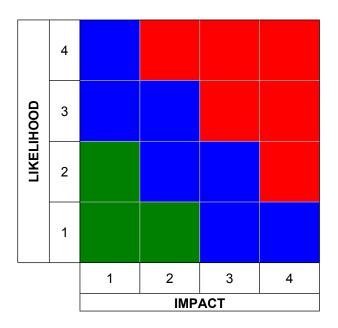
That the Committee agree the risk register.

## **Background**

#### 1 Introduction

- 1.1 Committee members will understand the importance of looking at risk as part of the normal Member training that the Council provides. Given the size and importance of the Pension Fund, it is best practice to have a separate risk register considering the various risks and how they can be mitigated, if at all possible.
- 1.2 The risk register is reviewed annually at this Committee, and any additional changes or updates are reported in the quarterly Fund Update report.
- 1.3 Appendix A is the current Pension Fund risk register. 28 risks have been identified, along with the controls in place to mitigate them.
- 1.4 The latest additions to the register are in relation to the ending of the increase in workloads for the team as a result of asset pooling, the data issues between LCC and WYPF and the leave vote in the EU referendum.
- 1.5 The risk register follows the standard format of the Council's risk registers. To assist in understanding the risk register, the first risk on the register and the associated columns are described below:

- ID an identifying number
- Linked to objective the Fund's objectives are detailed at the top of the register
- Source what the risk is
- Consequences the potential outcomes
- Risk owner person responsible overall
- Existing controls what is already in place to reduce either the impact or the likelihood
- Status the effect that the controls in place have, either good, fair or poor
- Owner who is responsible for the controls
- Current Risk score L Likelihood and I Impact (explained in the table below)
- Overall current risk score explained in the table below
- 1.6 The risk scores are calculated using the risk matrix below:



For the **likelihood**, there are four possible scores:

1 HARDLY EVER	2 POSSIBLE	3 PROBABLE	4 ALMOST CERTAIN
Has never happened  No more than once in ten years	Has happened a couple of times in last 10 years	Has happened numerous times in last 10 years	Has happened often in last 10 years
Extremely unlikely to ever happen	Has happened in last 3 years  Could happen again in next year	Has happened in last year  Is likely to happen again in next year	Has happened more than once in last year  Is expected to
			happen again in next year

For the **impact**, there are four possible scores, but considered across four areas:

	SERVICE DELIVERY Core business, Objectives, Targets	FINANCE Funding streams, Financial loss, Cost	REPUTATION Statutory duty, Publicity, Embarrassment	PEOPLE Loss of life, Physical injury, Emotional distress
4 CRITICAL Disastrous impact, Catastrophic failure	Prolonged interruption to core service.  Failure of key strategic project.	Severe costs incurred  Budgetary impact on whole Council  Impact on other services  Statutory intervention triggered	National media interest seriously affecting public opinion	Loss of life  Multiple casualties
3 MAJOR Significant impact, Disruption to core services	Key targets missed.  Some services compromised	Significant costs incurred  Re-jig of budgets required  Service level budgets exceeded	Local media interest  Comment from external inspection agencies  Noticeable impact on public opinion	Serious injuries  Traumatic / stressful experience  Exposure to dangerous conditions

MINOR Minor impact, Some degradation of non-core services	Management action required to overcome short-term difficulties	Some costs incurred  Minor impact on budgets  Handled within management responsibilities	Limited local publicity  Mainly within local government community  Causes staff concern	Minor injuries or discomfort  Feelings of unease.
1 NEGLIGIBLE No noticeable impact	Handled within normal day-to-day routines	Little loss anticipated	Little or no publicity  Little staff comment	

- 1.7 Once the likelihood and the impact are assessed, this produces the overall risk score e.g. likelihood = 3, impact = 2 then the risk score is 6. This means that it would fall into the blue area of the matrix, and is a higher concern than if it were in the green area. The Committee would need to be satisfied that they were comfortable with this level of risk, and that no further controls were required. There will always be some risks that cannot be fully mitigated.
- 1.8 Changes since the Committee last saw updates at the April 2016 meeting are shown below:
  - Risk 24 Government consultation on asset pooling approval to proceed with BCPP proposition updated to the current position with pooling risk has moved from red to blue, following positive feedback from DCLG/HMT on the progress of the BCPP submission, and the likelihood of approval not being given has reduced.
  - Risk 27 Ongoing monthly data issues with LCC updated to the current position with pooling risk has moved from red to blue, following improvements in the data submissions to WYPF from LCC. However, a recent audit report has highlighted that there are still issues as to the accuracy of the data, which LCC is addressing.
  - New risk 28 UK leaving the EU the leave vote in the referendum has led to high levels of uncertainty around the economic impact of the UK leaving the EU. This is a red risk, as although there are controls in place that can assist in understanding and communicating the risks, current uncertainty does not allow for mitigation of the risks.

#### Conclusion

1.9 It is considered best practice to have identified the high level risks associated with managing a Pension Fund and to have put appropriate controls in place. The risk register is brought annually before the Pensions Committee for review and approval.

#### Consultation

a) Policy Proofing Actions Required

n/a

## **Appendices**

These are listed below and attached at the back of the report	
Appendix A	Pension Fund Risk Register

# **Background Papers**

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

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