

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:

LIKELIHOOD	4				
	3				
	2				
	1				
		1	2	3	4
		IMPACT			

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 Extremely unlikely to ever happen	Has happened a couple of times in last 10 years Has happened in last 3 years Could happen again in next year	Has happened numerous times in last 10 years Has happened in last year Is likely to happen again in next year	Has happened often in last 10 years 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

<p style="text-align: center;">2 MINOR</p> <p>Minor impact, Some degradation of non-core services</p>	<p>Management action required to overcome short-term difficulties</p>	<p>Some costs incurred</p> <p>Minor impact on budgets</p> <p>Handled within management responsibilities</p>	<p>Limited local publicity</p> <p>Mainly within local government community</p> <p>Causes staff concern</p>	<p>Minor injuries or discomfort</p> <p>Feelings of unease.</p>
<p style="text-align: center;">1 NEGLIGIBLE</p> <p>No noticeable impact</p>	<p>Handled within normal day-to-day routines</p>	<p>Little loss anticipated</p>	<p>Little or no publicity</p> <p>Little staff comment</p>	

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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