

**Open Report on behalf of Andrew Crookham,
Executive Director - Resources**

Report to:	Pensions Committee
Date:	18 July 2019
Subject:	Lincolnshire Pension Fund Risk Register

Summary:

This report presents the Pension Fund Risk Register to the Committee for annual review and brings a risk policy for the Committee to approve.

Recommendation(s):

That the Committee:

- 1) review and approve the risk management policy;
- 2) review and approve the risk register; and
- 3) agree to amend the risk score of risk P1 from red to blue, following the commencement of the new Executive Director of Resources and the skills gap analysis and training plan agreed.

Background

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 key risks that can impact the Fund and how they can be mitigated, if at all possible. The risk register is reviewed annually at this Committee, and any additional changes or updates are reported in the quarterly Fund Update reports.
2. At the October meeting, the Pensions Committee received a report comparing the risk registers of all the partner funds within Border to Coast, to ensure that the risks identified in the Lincolnshire risk register were not out of step with other Border to Coast funds.
3. CIPFA produced new guidance in 2018 on managing risk in the LGPS, and the Officers have taken the opportunity to refresh the risk register fully to reflect the current best practice. This includes having a risk management policy, which is a formal record of the Fund's appetite for risk, its risk management structures and its approach to risk management. A risk management policy has been drafted, adapted from CIPFA example in the guidance, and is attached at appendix A.

4. Appendix B is the Pension Fund risk register. 27 risks have been identified, along with the controls in place to mitigate them. The presentation has been changed to group together risks by type, and risks have been reworded, split or expanded to provide greater clarity.
5. There is a recommendation to amend the score of one risk, at risk P1, following the commencement of the new Executive Director of Resources. This was raised to red following the agreed retirements of the County Finance Officer and the Executive Director of Finance and Public Protection, where detailed knowledge of the Fund would be lost. This was before the appointment of the new Executive Director of Resources, who is now the line manager to the Head of Pensions. Following a skills gap analysis and training plan agreed with the Executive Director of Resources, it is recommended that this risk is reduced to blue.
6. 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
7. 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.
2 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.	
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8. 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.

Conclusion

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 has been reviewed and updated to reflect the latest best practice guidance and a risk management policy has been drafted and is brought to the Pensions Committee for review and approval.

Consultation

a) Have Risks and Impact Analysis been carried out??

Yes

b) Risks and Impact Analysis

The Pension Fund has a risk register which can be obtained by contacting the author of this report.

Appendices

These are listed below and attached at the back of the report	
Appendix A	Risk Management Policy
Appendix B	Pension Fund Risk Register July 2019

This report was written by Jo Ray, who can be contacted on 01522 553656 or jo.ray@lincolnshire.gov.uk.