

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

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| Report to: | Pensions Committee |
| Date: | 16 July 2020 |
| Subject: | Lincolnshire Pension Fund Risk Register |

Summary:

This report presents the Pension Fund Risk Register and Risk Policy to the Committee for annual review and approval. In addition, it presents the Coronavirus Risk Register for consideration.

Recommendation(s):

That the Committee:

- 1) review and approve the risk management policy;
- 2) review and approve the risk register; and
- 3) review and approve the Coronavirus risk register.

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. The 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, is attached at appendix A.
3. Appendix B is the Pension Fund risk register. 28 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.
4. Given the recent unprecedented events resulting from the impact of the pandemic, an additional risk register, relating specifically to risks due to the Coronavirus situation was developed in March. Whilst these are all captured at a high level within the normal risk register, it was felt that it

would be useful to expand the risks that were associated with the current situation. This has been shared with the Committee on a monthly basis with updated comments added as appropriate, to provide assurance on the position of the Fund and its management in these uncertain times. The Coronavirus Risk Register is attached at Appendix C.

5. The Fund 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

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. |
| 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. | |

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.

Conclusion

8. 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, and to set out a Risk Management Policy and Risk Register. An additional risk register has also been created, specifically to reflect the risks associated with the current pandemic. The latest versions of these are 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

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| These are listed below and attached at the back of the report | |
| Appendix A | Risk Management Policy |
| Appendix B | Pension Fund Risk Register July 2020 |
| Appendix C | Coronavirus Risk Register |

Background Papers

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

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