

RISK REGISTER UPDATE

Report by Chief Financial Officer

JOINT MEETING OF PENSION FUND COMMITTEE AND PENSION BOARD

15 September 2016

1 PURPOSE AND SUMMARY

- 1.1 This report forms part of the risk review requirements and provides the Members of the Pension Fund Committee and Pension Board with an update of the progress of the management actions to mitigate the risks, a review of any new risks and highlights changes to any of the risks contained in the risk register.
- 1.2 Identifying and managing risk is a corner stone of effective management and is required under the Council's Risk Management Policy and process guide and CIPFA's guidance "Delivering Governance in Local Government Framework 2007". It is further reflected and enhanced in the "Local Government Pension Scheme" published by CIPFA.
- 1.3 Appendix 1 details the risks within the approved Risk Register which have identified management actions and the progress of these actions to date.
- 1.4 The recent vote to leave the European Union is highly likely to have an impact on the Pension Fund. While the actual timing and consequences of the change are, however, currently unknown, it is evident that the pension fund investment strategy will have to adapt over time as the implications are quantified. Further reports and updates will therefore be provided as these implications act become known.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Committee and Board:
 - (a) note the management actions progress as contained in Appendix 1;
 - (b) note the emerging position with regard to "Brexit" continue to create uncertainty; no new quantifiable risks have been identified since the last review; and
 - (c) agree to a key risk review being undertaken in December 2016 and reporting of progress on risk management actions.

3 BACKGROUND

- 3.1 Identifying and managing risk is a corner stone of effective management and is required under the CIPFA guidance "Delivering Governance in Local Government Framework 2007". It is further reflected and enhanced in the "Local Government Pension Scheme" published by CIPFA.
- 3.2 The Risk Register has been developed in line with the Council's approach to risk management as set out in the "Risk Management process guide" and assesses risks using a risk score based on likelihood and impact. It has been further refined to reflect best practice "Managing Risk in the Local Government Pension Scheme" published by CIPFA.
- 3.3 The Pension Fund's Business Plan 2016/17 – 2018/19 was approved on 16 June 2016 and set out the aims and objectives of the Fund. These aims and objectives were fully considered and recognised in the formation and approval of the Pension Funds risk register.
- 3.4 The Council's revised Risk Management process guide uses the following risk scoring:



- 3.5 To comply with the Council's revised policy of risk management and best practice a Risk Management reporting cycle was developed around the performance and business plan reporting of the Pension Fund. As a result the following cycle of reporting was adopted:

Quarterly	<ul style="list-style-type: none">• Quarterly Investment Performance Report.• Key risks, escalation of any risks that are perceived to have changed adversely and any new risks need to be considered by the Committee.• Update on progress of risk management action delivery.
Bi- Annually	<ul style="list-style-type: none">• Mid-Year Progress report on Business Plan Actions.• Key risks, escalation of any risks that are perceived to have changed adversely and any new risks need to be considered by the Committee.• Update on progress of risk management action delivery.
Annually	<ul style="list-style-type: none">• Annual Governance Meeting with Annual Report and Policy/ Strategy Performance Reports.• Annual reporting on progress with Business Plan and approval of updated Business Plan.• Annual reporting on progress with Risk Management Actions and approval of fully reviewed Risk Register including consideration of any new risks.

4 RISK REGISTER UPDATE

- 4.1 A full risk workshop was undertaken on 30 May 2016 by Officers in order to ensure that the risk register's contents were still relevant and up-to-date. The outcome of the workshop was then considered and approved at the Committee/Board meeting on 16 June 2016. This report provides the quarterly review of risks and the progress of the actions.
- 4.2 The progress of the individual management actions identified in the current risk register are detailed in Appendix 1.
- 4.3 There has been discussion at Scottish national level on the potential for pension funds working together to drive increased investment in infrastructure. Officers are currently undertaking further work to assess the possible implications and opportunities for the Pension Fund.
- 4.4 In June the UK voted to leave the European Union. The timing and consequences of this decision are yet not fully known. Officers, in conjunction with the Investment Advisor, are monitoring the situation and will report risks and opportunities to the Joint Board and Committee as they become clearer.
- 4.5 No new quantifiable risks have been identified since the approval of the risk register on 16 June 2016. The risks previously identified and scored remain unchanged.

5 IMPLICATIONS

5.1 Financial

There are no direct financial implications of this report.

5.2 Risk and Mitigations

- (a) The purpose of providing the update to the Committee and Board to ensure that the Members of the Pension Fund Committee and the Pension Board understand the risks faced and how it is proposed to manage, mitigate or tolerate these risks. The additional proposed actions as contained in Appendix 1 and recommended for approval by the Committee and Board in this report, are designed to directly enhance the management of risks.
- (b) The Chief Officer Audit and Risk has commented that there is a substantial framework for effective management of risks relating to the Pension Fund (i.e. the business plan objectives, clear governance arrangements, regular monitoring, risk register, etc.).

5.3 Equalities

It is anticipated that there are no adverse impact due to race, disability, gender, age, sexual orientation or religion/belief arising from the proposals in this report.

5.4 Acting Sustainably

There are no direct economic, social or environmental issues with this report which would affect the Council's sustainability policy.

5.5 Carbon Management

There are no direct carbon emissions impacts as a result of this report.

5.6 Rural Proofing

It is anticipated there will be no adverse impact on the rural area from the proposals contained in this report.

5.7 Changes to Scheme of Administration or Scheme of Delegation

No changes to the Scheme of Administration or Scheme of Delegation are required as a result of this report.

6 CONSULTATION

- 6.1 The Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit and Risk, the Chief Officer HR and the Clerk to the Council have been consulted and their comments included in the report.

Approved by

David Robertson
Chief Financial Officer

Signature

Author(s)

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Background Papers:

Previous Minute Reference: Pension Fund Committee and Pension Board 16 June 2016

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