
RISK REGISTER UPDATE

Report by Chief Financial Officer

JOINT MEETING OF PENSION FUND COMMITTEE AND PENSION BOARD

3 September 2015

1 PURPOSE AND SUMMARY

1.1 This report provides the Pension Fund Committee with an updated Risk Register for approval.

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 Risk Register updated and scored at the workshop on 3 September 2015.

1.3 In light of the Council's revised Risk Management Policy (2015) it is proposed to adopt an amended reporting cycle for the Pension Fund risk register and this is set out below:

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|------------------------------|---|
| Quarterly | <ul style="list-style-type: none">• 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
(in December) | <ul style="list-style-type: none">• 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
(in June) | <ul style="list-style-type: none">• Annual reporting on progress with Risk Management Actions and approval of fully reviewed Risk Register including consideration of any new risks |

2 STATUS OF REPORT

2.1 Due to the members involvement in the risk workshop the timescales involved in producing the report has meant that it is being presented as a late report.

3 RECOMMENDATIONS

3.1 It is recommended that the Joint Committee and Board:-

- (a) Approves Risk Register as contained in Appendix 1**
- (b) Approves the revised reporting cycle set out in paragraph 5.2;
and**
- (c) Agrees to a key risk review being undertaken in December
2015 and reporting of progress on risk management actions.**

4 BACKGROUND

- 4.1 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.
- 4.2 The Risk Register has been developed in line with the Council's revised 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.
- 4.3 In February 2015, Scottish Borders Council approved a revised Risk Management Policy Statement. This emphasised the need for risk management to be aligned with objectives and considered alongside business planning and review of delivery of the business plan. The Statement reiterates that "risk management must become an integrated part of good management within the Council."
- 4.4 The Pension Fund's Business Plan 2015/16 – 2017/18 was approved on 18 June 2015 and set out the following aims and objectives for the Pension Fund:

Primary Aim of the Pension Fund

To provide for members' pension and lump sum benefits on their retirement or for their dependants' benefits on death before or after retirement, on a defined benefits basis.

Achieved through the following Objectives:

Funding Objectives of the Pension Fund

- Set levels of employer contribution that will **build up a fund of assets that will be sufficient to meet all future benefit payments** from the Fund; and
- Build up the required assets in such a way that produces levels of **employer contribution that are as stable** as possible through:
 - Ensuring effective and efficient management of employer's liabilities; and
 - Allowing the return from investments to be maximised within reasonable risk parameters.

Pensions Administration Objectives of the Pension Fund

- Deliver a **High Quality Pension Service to Members** through:
 - Continually developing and improving efficient working arrangements; and
 - Striving to exceed the Fund's service standards

Governance Objectives of the Pension Fund

- Ensure that Scottish Borders Pension Fund is **managed effectively, transparently and compliantly**

4.5 Due to the recent governance changes leading to the introduction of the Pension Board the full Risk Register Review was deferred until September 2015.

4.6 The Council's revised Risk Management process guide uses the following risk scoring:

Level of risk	Risk score
RED	High – Risk Score Range 15-25
AMBER	Medium – Risk Score Range 6 – 12
GREEN	Low – Risk Score Range 1 - 5

4.7 In addition the focus of the Council's revised Risk Management Policy and associated process guide is moving towards the integration of risk management into the performance and business management activities of the organisation.

5 RISK REGISTER UPDATE

5.1 A full risk workshop was undertaken on 3 September 2015 in order to ensure that the risk register's contents were still relevant and up-to-date. The outcome of the workshop is contained in **Appendix 1**.

5.2 To comply with the Council's revised policy of risk management and best practice a Risk Management reporting cycle should be developed around the performance and business plan reporting of the Pension Fund. As a result it is proposed that the following cycle of reporting is adopted:

- Quarterly
- 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
(in December) | <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
(in June) | <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 |

6 IMPLICATIONS

6.1 Financial

There are no direct financial implications of this report.

6.2 Risk and Mitigations

The purpose of providing the update to the Committee is as part of improving the risk management framework for the Pension Fund to demonstrate that it understands the risks faced and how it is proposing to manage, mitigate or tolerate these risks.

6.3 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.

6.4 Acting Sustainably

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

6.5 Carbon Management

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

6.6 Rural Proofing

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

6.7 Changes to Scheme of Administration or Scheme of Delegation

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

7 CONSULTATION

- 7.1 The Monitoring Officer, the Chief Legal Officer, the Service Director Strategy and Policy, the Chief Officer Audit and Risk, the Chief Officer HR and the Clerk to the Council are currently being consulted and their comments will be made available at the meeting.

Approved by

David Robertson
Chief Financial Officer

Signature

Author(s)

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Background Papers:

Previous Minute Reference: Pension Fund Committee March 2015

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