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## **RISK REGISTER UPDATE**

**Report by Director Finance & Corporate Governance**

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### **JOINT MEETING OF PENSION FUND COMMITTEE AND PENSION BOARD**

**29 June 2022**

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#### **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 updated full register and proposed management actions to mitigate the identified risks.**
- 1.2 Identifying and managing risk is a cornerstone 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 "Managing Risk in the Local Government Pension Scheme" published by CIPFA.
- 1.3 A virtual risk workshop was held on 4 May 2022 with Officers from relevant Departments to review and update the full risk register. The output of this is shown in Appendix 1.
- 1.4 A summary of the changes made during the review are detailed in para 4.3.
- 1.5 There were no new risks identified during the review.
- 1.6 In line with the Council's Risk Management Policy (2018) a paper to be presented at the September 2022 meeting will report progress on the management actions and present any new risks for consideration.

#### **2 RECOMMENDATIONS**

- 2.1 It is recommended that the Committee and Board:**
  - (a) Agrees the updated Full Risk register as contained in Appendix 1; and**
  - (b) Agrees to an update on progress of management actions to be presented in September 2022.**

### 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 2022/23 – 2024/25, to be presented for approval on 29 June 2022, sets out the aims and objectives of the Pension 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:

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

- 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:

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

#### 4 RISK REGISTER UPDATE

- 4.1 A full risk workshop was undertaken on 4 May 2022 by Officers from the Pension and Investment Team and Human Resources Shared Services in order to ensure that the risk register's contents were still relevant and up-to-date. The outcome of the workshop is detailed in Appendix 1.
- 4.2 There are 51 risks identified in the register, of which 14 are red risks prior the application of internal controls. The current identified controls reduce the red risks to one. There are 21 risks with identified management actions, which will improve and add to the current controls.
- 4.3 The following risks have been updated from the previous risk register

Risk no.	Update
1.3 and 1.6	Current controls updated to reflect further diversification resulting from Strategy review
1.9	Current controls updated to reflect implementation of revised Investment Strategy
1.12 and 7.6	Current controls updated Responsible Investment policy and planned implementation of improved monitoring of it
2.1	Current controls updated to reflect next valuation cycle
2.2	Current controls updated to reflect monitoring between cycles and additional monitoring requirements for SOSE as new employer with growing employees
2.3	Current controls updated to reflect work identified for review of admission agreements and inclusion of cessation responsibilities into the Funding Strategy Statement
3.2	Score updated to reflect continued monitoring and meeting of training policy
3.3 and 3.4	Current controls updated to reflect additional Treat to reflect the monitoring of training policy
4.4	Current controls updated to reflect no recent ER/VS applications
4.5, 6.1 and 6.2	New treat included to reflect implementation of The Pension Regulator – Single Code
4.6	Current controls updated to reflect implementation of regular cashflow reporting to Committee
5.5	Current controls updated to reflect mandatory refresh training requirements for all staff on GDPR
5.6	Current controls updated to reflect recent implementation of Member Self-service
5.8	New treat included to reflect specific transfer training and it cascade to the service

- 4.4 There were no new risks identified during the review.
- 4.5 The progress of the individual management actions identified in the risk register, detailed in Appendix 1, will be reported on a quarterly basis at future meetings.

## 5 IMPLICATIONS

### 5.1 Financial

There are no direct financial implications of this report.

### 5.2 Risk and Mitigations

The purpose of providing the update to the Committee and Board is to improve the risk management framework for the Pension Fund and demonstrate 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.

### 5.3 Integrated Impact Assessment

There is no impact or relevance to Equality Duty or the Fairer Scotland Duty for this report. This is a routine good governance required under the Local Government Pension Scheme (Governance) (Scotland) Regulations 2014. Nevertheless, a light touch assessment has been conducted and this will be published on SBC's Equality and Diversity Pages of the website as in doing so, signifies that equality, diversity and socio-economic factors have duly been considered when preparing this report.

### 5.4 Sustainable Development Goals

There are no direct impacts from this report on the sustainable development goals of the Council.

### 5.5 Climate Change

There are no direct climate change 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 Data Protection Impact Statement

There are no personal data implications arising from the proposals contained in this report.

### 5.8 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/Chief Legal Officer, the Chief Officer Audit and Risk, the Director (People Performance & Change), the Clerk to the Council and Corporate Communications have been consulted and any comments received have been incorporated into the final report.

### Approved by

**David Robertson**

**Director Finance & Corporate Governance**

**Signature .....**

### Author(s)

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**Background Papers:**

**Previous Minute Reference:** Pension Fund Committee and Pension Board 22 March 2022

**Note** – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. The Pension & Investment Team can also give information on other language translations as well as providing additional copies.

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