
PENSION FUND RISK REGISTER UPDATE

Report by Chief Officer Audit & Risk

JOINT PENSION FUND COMMITTEE AND PENSION FUND BOARD

22 September 2023

1 PURPOSE AND SUMMARY

- 1.1 The purpose of this report is to provide the Members of the Pension Fund Committee and Pension Fund Board with an update on the refresh of the Pension Fund Risk Register.**
- 1.2 Effective Risk Management is one of the foundations of effective governance of the Pension Fund. It requires a coherent approach to the management of risks that it faces every day through the identification, analysis, evaluation, control and monitoring of risks linked to the business plans and activities of the Pension Fund. The "Managing Risk in the Local Government Pension Scheme" published by CIPFA provides helpful guidance on the process.
- 1.3 At the Joint meeting of the Pension Fund Committee and Pension Fund Board on 21 March 2023, the proposal to refresh the Pension Fund Risk Register and the associated timetable were agreed, specifically to:
 - (a) Ensure the risks are appropriate, easily measurable and within their control.
 - (b) Incorporate the relevant risk management recommendations made by the Independent Consultant in December 2022, and by Internal Audit and External Audit during the year 2022/23.
 - (c) Reduce the number of risks on the Risk Register to a manageable amount.
 - (d) Amend the categorisation of risks to within the Categories: Funding; Investment; Administration; Governance; and Operational.
- 1.4 This report sets out proposals on the refreshed Pension Fund Risk Register.

2 RECOMMENDATIONS

- 2.1 I recommend that the Joint Pension Fund Committee and Board:**
 - a) Approves the refreshed Pension Fund Risk Register (Appendix 2) arising from the proposals to amalgamate and re-categorise the risks on a more manageable scale; and**
 - b) Notes that the formal full review of the risks in the refreshed Pension Fund Risk Register will continue, and quarterly updates will be presented to the Committee and Board.**

3 BACKGROUND

- 3.1 Effective Risk Management is one of the foundations of effective governance of the Pension Fund. It requires a coherent approach to the management of risks that it faces every day through the identification, analysis, evaluation, control and monitoring of risks linked to the business plans and activities of the Pension Fund. The "Managing Risk in the Local Government Pension Scheme" published by CIPFA provides helpful guidance on the process.
- 3.2 At the Joint meeting of the Pension Fund Committee and Pension Fund Board on 21 March 2023, the proposal to refresh the Pension Fund Risk Register and the associated timetable were agreed, specifically to:
- (e) Ensure the risks are appropriate, easily measurable and within their control.
 - (f) Incorporate the relevant risk management recommendations made by the Independent Consultant in December 2022, and by Internal Audit and External Audit during the year 2022/23.
 - (g) Reduce the number of risks on the Risk Register to a manageable amount.
 - (h) Amend the categorisation of risks to within the Categories: Funding; Investment; Administration; Governance; and Operational.
- 3.3 It was also proposed that the Committee should consider having a risk management framework for the Pension Fund.

4 RISK REGISTER REFRESH ACTIVITY

- 4.1 The Chief Officer Audit and Risk and the Corporate Risk Officer have undertaken a mapping exercise of the current Pension Fund Risk Register with a subsequent proposal drafted for the Committee's and Board's consideration in relation to the amalgamation of a number of risks, removal of risks outwith its control, and re-categorisation of the remaining risks. The exercise and subsequent proposal, if approved and implemented, to reduce the number of risks on the Pension Fund Risk Register to a more manageable number, will ensure the more efficient management of its risks.
- 4.2 The principles for the mapping exercise included the following:
- Identification of common or linked risk factors/causes and risk effect / consequences to inform amalgamation to ensure this insight is not lost.
 - Determination of risks that are outwith its control (the topics should still be covered within Information Updates to ensure awareness).
 - Analysis of similarity in internal controls and/or mitigation actions that are specified to manage the risks.
 - Capture of specific risk elements within amalgamated risks to ensure this insight is sustained.
 - Use of the highest risk score for the amalgamated risks.
 - Noting that risks can relate to multiple categories, though judgement applied to identify the best fit (with a resulting change of category, removing 'Operational' and adding 'National Policy / Regulations').
- 4.3 The Appendix 1 is the refreshed Pension Fund Risk Register for the Committee's and Board's consideration and approval, arising from the amalgamation and removal of risks, and framed within the proposed Categories.

5 RISK MANAGEMENT NEXT STEPS 2023/24

- 5.1 The Risk Review Programme of Work for the Corporate Risk Officer in 2023/24 will be developed on a quarterly rolling basis to incorporate the cycle of Pension Fund Risk Register reviews by the Risk Owners e.g. the Director of Finance & Procurement and HR Shared Services Manager; the Corporate Risk Officer will facilitate this process. It should be noted that arising from the proposed amalgamation and removal of risks, the next Pension Fund Risk Register update might contain amended or enhanced risk descriptions to reflect the Risk Review discussions with officers. The Pension Fund risk review activity will be aligned to the cycle of business to be considered at the joint meetings of the Committee and Board.
- 5.2 The Chief Officer Audit & Risk and the Corporate Risk Officer will develop a separate Risk Management policy and strategy for the Pension Fund for approval by the Committee and Board. This will ensure there is a relevant risk management framework in place for the Pension Fund aligned to its objectives, governance and administration.
- 5.3 Subject to the approval above, the Chief Officer Audit & Risk and the Corporate Risk Officer will prepare and deliver Risk Management Training for the members of the Committee and Board, and officers, to reflect the new Pension Fund Risk Management Policy and Strategy. This will ensure clarity on roles and responsibilities, process, oversight and monitoring.
- 5.4 The Corporate Risk Officer will develop a separate Risk Appetite Toolkit for the Pension Fund to enhance the risk process and capture the categories of risks faced.

6 IMPLICATIONS

6.1 Financial

There are no direct financial implications arising from the recommendations of the report.

6.2 Risk and Mitigations

The report sets to assure the Pension Fund Committee and the Pension Fund Board that the refresh of the risk register will enable more efficient and effective risk management arrangements going forward.

6.3 Integrated Impact Assessment

There is no relevance to Equality Duty or the Fairer Scotland Duty for this report. This is a routine good governance report for assurance purposes. An Integrated Impact Assessment (IIA) will be completed during the proposed development of a Risk Management Policy statement and Risk Management Strategy for the Pension Fund.

6.4 Sustainable Development Goals

The recommendations in this report will not directly impact any of the 17 UN Sustainable Development Goals. Good governance including the management of risks is important to enable the Pension Fund to achieve its objectives, including those supporting sustainable development.

6.5 **Climate Change**

This report does not relate to any proposal, plan or project and as a result the checklist on Climate Change is not an applicable consideration. Good governance including the management of risks, is important to enable the Pension Fund to achieve its objectives, including those relating to climate change.

6.6 **Rural Proofing**

This report does not relate to new or amended policy or strategy and as a result rural proofing is not an applicable consideration.

6.7 **Data Protection Impact Statement**

There are no personal data implications arising from the content of this report.

6.8 **Changes to Scheme of Administration or Scheme of Delegation**

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

7 **CONSULTATION**

7.1 The Director Finance & Procurement and HR Shared Services Manager of Scottish Borders Council, and Head of Governance at ISIO, have been consulted on the approach to the refresh of the Pension Fund Risk Register and appraised on the methodology used in advance of these proposals being presented to the Committee and Board. These discussions will continue on a regular basis to ensure these Risk Owners are engaged in the forthcoming Risk Review activity.

7.2 The Director Finance & Procurement, Director Corporate Governance (and Monitoring Officer), Director People Performance & Change, HR Shared Services Manager, Clerk to the Council, and Communications Team have been consulted on this report and any comments received have been taken into account.

Approved by

Jill Stacey, Chief Officer Audit and Risk Signature

Author(s)

Name	Designation and Contact Number
Jill Stacey	Chief Officer Audit & Risk
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Background Papers: Pension Fund Risk Register @ 13 December 2022

Previous Minute Reference: Joint Pension Fund Committee and Pension Fund Board 21 March 2023

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

Contact us at Emily.Elder@scotborders.gov.uk