
PENSION FUND RISK REGISTER UPDATE

Report by Chief Officer Audit & Risk

JOINT PENSION FUND COMMITTEE AND PENSION FUND BOARD

12 December 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 review of the refreshed Pension Fund Risk Register, and an outline of next steps.**
- 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 meetings of the Pension Fund Committee and Pension Fund Board during 2023, the following risk management items were agreed:
 - (a) 21 March 2023 - proposal to refresh the Pension Fund Risk Register and the associated approach and timetable; and
 - (b) 22 September 2023 - the refreshed Pension Fund Risk Register arising from the proposals to amalgamate and re-categorise the risks on a more manageable scale.
- 1.4 This report sets out progress on the review of the refreshed Pension Fund Risk Register and outlines the next steps.

2 RECOMMENDATIONS

- 2.1 I recommend that the Joint Pension Fund Committee and Board:**
 - a) Acknowledges that the formal full review of the risks in the refreshed Pension Fund Risk Register is approximately 80% complete and will continue;**
 - b) Notes that quarterly risk register updates will be presented to the Committee and Board; and**
 - c) Notes that a separate Risk Management policy and strategy for the Pension Fund will be developed for approval by the Committee and Board in March 2024.**











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 approach and timetable were agreed.
- 3.3 At the Joint meeting of the Pension Fund Committee and Pension Fund Board on 22 September 2023, the refreshed Pension Fund Risk Register arising from the proposals to amalgamate and re-categorise the risks on a more manageable scale was approved.
- 3.4 The outcome of the refresh was the reduction in the number of risks on the Pension Fund Risk Register from 51 risks to 18 risks through mostly amalgamation, and some removal, of risks within the following Categories: Funding; Investment; Administration; Governance; and National Policy / Regulations. The exercise to reduce the number of risks on the Pension Fund Risk Register to a more manageable number will ensure the more efficient management and oversight of its risks.
- 3.5 It was also proposed that the Committee and Board should consider having a risk management framework for the Pension Fund.

4 RECENT RISK REGISTER REVIEW ACTIVITY

- 4.1 Since the Risk Register Update Report on 22 September 2023, the Chief Officer Audit and Risk and the Corporate Risk Officer have applied the amalgamation of a number of risks, removal of risks outwith its control, and re-categorisation of the remaining risks within the in-progress Pension Fund Risk Register. This has been a significant undertaking, requiring research and learning along the way.
- 4.2 Thereafter, risk reviews by the Risk Owners i.e. the Director of Finance & Procurement, Director People Performance & Change, and HR Shared Services Manager, were facilitated by the Chief Officer Audit and Risk and the Corporate Risk Officer. It should be noted that the amalgamation of a number of risks as part of the refreshed risk register review process takes significantly more time than it does to review single risks.
- 4.3 As indicated within the Risk Register Update Report on 22 September 2023, arising from the agreed amalgamation of risks, the in-progress Pension Fund Risk Register contains amended or enhanced risk descriptions to reflect the Risk Review discussions with officers. It is estimated that approximately 80% of the Risk Review activity is complete as at 23 November 2023. The red-rated Risk "*Changes in legislation and other regulatory frameworks may impact adversely on the Fund in terms of funding levels and governance structures*" has been reviewed this quarter in line with best practice.

- 4.4 Further to the above, the Chief Officer Audit and Risk and the Corporate Risk Officer have engaged with specialists from the Actuary (Hymans Robertson) and the Investment Advisers (ISIO) to ensure their input in the Risk Review activity associated with the Funding category risks and Investment category risks respectively. This confirmed the identification and evaluation of the key controls in all instances and their interdependency in some instances.
- 4.5 A proposal has arisen from the recent Risk Review work with the specialist advisers to further amalgamate a Funding category risk with an Investment category, taking account of the common risk factors/causes, consequences, and control measures, to avoid duplication of effort in managing and overseeing the identified risks. The following table summarises the risk categorisation and ratings from the in-progress Pension Fund Risk Register, which is shown in summary at Appendix 1 for information.

Category	Number	Risk Ratings
Funding	3 (was 4)	2 x  and 1 x 
Investment	3	2 x  and 1 x 
Administration	5	4 x  and 1 x 
Governance	3	2 x  and 1 x  *
National Policy / Regulations	3	2 x  and 1 x 
Total	17	

5 RISK MANAGEMENT NEXT STEPS 2023/24

- 5.1 The Risk Programme of Work for the Corporate Risk Officer in 2023/24 will continue to be developed on a quarterly rolling basis to incorporate the cycle of Pension Fund Risk Register reviews by the Risk Owners.
- 5.2 The Pension Fund Risk Register review and reporting activity will be aligned to the cycle of business to be considered at the joint meetings of the Committee and Board.
- 5.3 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.
- 5.4 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.

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. The requirement to undertake an Integrated Impact Assessment (IIA) will be fulfilled 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, Director Corporate Governance (and Monitoring Officer), Director People Performance & Change, HR Shared Services Manager, and Communications Team have been consulted on this report in line with required practice.

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

Previous Minute Reference: Joint Pension Fund Committee and Pension Fund Board 22 September 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