

RISK MANAGEMENT POLICY STATEMENT

Introduction

What is a Risk

An uncertain event or set of events that, should they occur, will have an effect on the achievement of objectives.

It consists of a combination of the likelihood of a threat, or equally an opportunity, happening and the impact should it happen. Risks are scored and prioritised to ensure they are controlled and managed effectively.

What is Risk Management

The activities required to identify, understand and control exposure to uncertain events which may threaten the achievement of objectives. Equally, it reflects the activities required to capitalise on opportunities in order to progress the achievement of objectives.

Why is Risk Management Important to the SBC Pension Fund

The SBC Pension Fund faces a wide range of risks in the delivery of its functions. The aim of this policy is to communicate why risk management should be undertaken, provide a common risk management language and a description of the approach that will be adopted by the SBC Pension Fund to manage its risks. This policy is supported by the Risk Management Strategy, which is underpinned by the framework, principles, approach and processes set out as professional standards in the Management of Risk (M_o_R) Guide and CIPFA guidance "Managing Risk in the Local Government Pension Scheme".

Awareness and management of risks is a key control of the SBC Pension Fund's strategic and operational activities. To demonstrate sound corporate governance the SBC Pension Fund is committed to a strong control environment to ensure that risks are identified, evaluated, managed and monitored appropriately, with the outcome that better and more assured risk management will bring many benefits to the SBC Pension Fund and its stakeholders.

Vision

Appropriate and effective risk management practice will be embraced by the SBC Pension Fund as an enabler of success to deliver its primary aim, which is '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'.

The SBC Pension Fund recognises that risk management should be aligned with its objectives and will therefore be considered within the business planning process. This ensures that the strategic and operational risks to achieving these objectives are identified and prioritised.

The SBC Pension Fund will continue to systematically identify, analyse, evaluate, control and monitor those risks where there is exposure to significant financial, strategic, and reputational damage in relation to the achievement of its objectives, whether related to funding from scheme employers, investment practices, administrative processes, governance arrangements or regulatory obligations.

Roles and responsibilities

Pension Fund Committee and Pension Board

While the statutory roles and functions of the Pension Fund Committee and Pension Board are separate, the normal practice will be that both bodies will meet at the same time to consider the same agenda, with the Chair of the Pension Fund Committee chairing the concurrent meeting. The aim is to engender a positive and proactive partnership culture.

The Pension Fund Committee will:

- approve the SBC Pension Fund's Risk Management Framework (i.e. Policy and Strategy) for implementation; and
- receive and review risk reports on the SBC Pension Fund risks to ensure risks to the achievement of its primary aim and underpinning objectives are being adequately managed, and in accordance with the framework.

The Pension Fund Committee Members will also need to assure themselves that they have adequate information on risks and mitigations linked to report recommendations, to ensure they are fully informed when making decisions covering new policies, strategies and plans.

The Pension Board Members will need to be assured that appropriate risk management arrangements are in place.

Senior Officers (SBC) supporting the Pension Fund

Senior Officers (SBC) supporting the Pension Fund will: ensure that they understand the risk policy, process and reporting requirements; ensure that the risk register is maintained and risks are identified, analysed, evaluated, treated and reviewed; challenge the status of identified risks; draw to the attention of the Committee/Board any emerging risks which may threaten the achievement of objectives; support internal and external audits; prepare the Risk and Mitigations section of Committee Reports to ensure that full risk information is provided to enable informed decision-making.

Chief Officer Audit & Risk (SBC)

The Chief Officer Audit & Risk (SBC) will: develop and maintain the Pension Fund risk management policy and strategy, and underpinning procedures, ensuring these are communicated effectively to all those relevant; prepare risk update reports for presentation to the Committee/Board; and review the Risk and Mitigations section of Committee Reports to check that full risk information is provided.

Corporate Risk Officer (SBC)

The Corporate Risk Officer (SBC) will support the management of risk in the SBC Pension Fund by: facilitating risk review activity to ensure that the processes and procedures set out in the policy and strategy are followed; supporting the Chief Officer Audit & Risk in the preparation of risk update reports and the review of Committee Reports to check risk and mitigations; and preparing and delivering Risk Management Training for the members of the Committee and Board, and officers, to reflect the Pension Fund Risk Management Policy and Strategy.

Risk appetite, tolerance and capacity

Risk appetite is how much risk the SBC Pension Fund is willing to seek and accept, which must be compatible with the level of risk it can tolerate associated with its capacity to bear and manage the consequences of a risk should it materialise. A consistent approach to identifying and analysing risk will be followed, using the SBC Pension Fund Risk Matrix as a guide. This will be supported by the Risk Management Strategy to ensure that the SBC Pension Fund, nor its stakeholders, are exposed to an unknown, unmanaged or unacceptable degree of risk.

Risk management process

Risk management is not a one-off exercise. It is a continuous process because the decision-making processes it underpins are continuous. Risk management must become an integrated part of good management within the SBC Pension Fund, but not be over bureaucratic and a process for its own justification. To these ends it will be aligned with the business planning process and the performance monitoring and reporting schedule.

Risk management will be applied to every activity relating to the SBC Pension Fund. It will be part of the decision-making process when developing and reviewing policies, strategies and plans. This will be supported by the Risk Management Strategy to ensure the consistent application of the risk management framework.

Reporting for Assurance Purposes

Reporting, to support fulfilment of roles and responsibilities set within the Policy, will include:

- A quarterly risk register update report to the SBC Pension Fund Committee/Board.
- An annual assurance statement on the application of the risk management framework within the Annual Report and Accounts.

Policy Review

The Risk Management Policy, Strategy and process for the SBC Pension Fund will be reviewed annually to ensure their continued relevance and effectiveness. Assurances and any recommended areas for improvement received from Internal Audit and External Audit, as well as best practice and lessons learned on risk management, will be considered as part of the annual review process. This policy will be subject to document control, version control, and will be revised every three years to reflect changes in legislation, risk management best practice, and significant changes in corporate governance.