



# South Tyneside Council

## Local Pension Board

Date: 21<sup>st</sup> October 2022

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## Risk Management and Internal Audit (for information and discussion)

Report of the Head of Pensions

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### **Purpose of Report**

1. This report contains the current Fund level Risk Register and provides an overview of the internal audit programme.
2. The Board is asked for its views on the Risk Register and the internal audit programme.
3. The Board is recommended to note the report.

## **Background**

4. Pensions Committee has delegated the quarterly monitoring of the Risk Register and the internal audit programme to the Local Pension Board. The Committee will, however, continue to receive annual reports on these matters.
5. The Fund's approach to the review, control and internal reporting of risk is set out below:
  - the Risk Register is reviewed quarterly, or more frequently if required, by officers and the updated document is posted on the Fund's website;
  - the Local Pension Board reviews the Risk Register in full each quarter;
  - the Committee receives an annual report on the Risk Register;
  - the Committee and the Board include risk management in their training programme. The training event in February 2023 will likely include a session on risk management.
6. The approach to the preparation, implementation and internal reporting of the internal audit programme is set out below:
  - an annual report, prepared by the Assurance and Risk Manager, is usually presented to the Committee at the June meeting and thereafter to the Local Pension Board. This includes the forthcoming programme for the coming year, along with a summary of the audits undertaken in the past year;
  - the programme is undertaken by the Council's Internal Audit Service and Deloitte (internal audit partner);
  - completed audits are posted in the password protected part of the Fund's website;
  - a summary of the outcome of each audit is presented to the Local Pension Board at each quarterly meeting;
  - the Committee's attention will be drawn to any material audit findings.

## **Approach to Managing and Reporting on Risks**

7. The Fund must identify and control the risks that it faces as part of the ongoing delivery of the service.
8. In addition to the Risk Register, the outcome of this process appears in a range of documents produced by the Fund. The requirement to include this information is often prescribed in regulations. For example:

- the Funding Strategy Statement includes a summary of risks to the funding strategy and the setting and collection of employer contributions;
  - the Investment Strategy Statement includes a summary of risks to the delivery of the investment strategy;
  - the Notes to the Report and Accounts include a summary of risks to the value of the Fund’s assets.
9. The approach to the quarterly review of the Risk Register by the officers is set out in Appendix A to this report and is entitled “Risk Assessment Methodology”. It is based on the net risk, i.e. the risk that remains after all appropriate controls have been applied, which is ranked on a scale of:
- Critical
  - High
  - Moderate
  - Minor.

### Current Risk Register

10. The latest review of the Risk Register was undertaken on 27<sup>th</sup> September 2022. None of the risks have been assessed as Critical.
11. The most recent review of the Risk Register has seen four changes. These changes are summarised in the table below:

Risk		From	To	Reason
Ref	Title			
G1	There may be a lack of knowledge and understanding by the Committee and Local Pension Board.	Probable / Marginal (High)	Possible / Marginal (Moderate)	This risk was increased in likelihood in February 2021 when it became known there was to be relatively high turnover of both Committee and Board members. Since this time, new members have benefitted from induction training and the ongoing training programme. This has been supplemented by additional training through the Hymans Robertson Training Academy. The current Board has now

				been in place for around 18 months and there is strong resilience of knowledge and experience across the Committee and the Board. This risk is therefore reverting to its previous likelihood of probable.
G4	As we transition away from Covid-19 restrictions there are impediments to effective governance arrangements.	Improbable / Marginal (Minor)	REMOVED FROM REGISTER	Covid 19 no longer impacts on the governance arrangements of the Fund, and this is no longer considered a material risk.
S6	Key people leave, and this places a strain on remaining resources to cover the role and responsibilities.	Probable / Marginal (High)	Near Certain / Marginal (High)	Due to the Head of Pensions intention to retire, the likelihood of this risk has been increased to 'near certain'. The impact of the risk has not been increased due to the strength of the senior management team and the anticipated recruitment timetable.
S15	Significant loss of staff due to Covid-19	Possible / Marginal (Moderate)	REMOVED FROM REGISTER	Covid 19 no longer poses a threat to the staff to the extent where it is expected that a significant number of staff will be absent at the same time, particularly given the ability for staff to work from home. This risk was discussed at the Board meeting in July and it was agreed that this could be deleted at the next review.

12. The general practice of the Local Pension Board is to review two risks in more depth at each quarterly meeting, one being a relatively high risk and one lower risk. For this quarter, the two risks selected are:

- S6 High Risk – Key people leave, and this places a strain on remaining resources to cover the role and responsibilities.

The Head of Pensions recently announced his intention to retire. This risk has consequently been increased in its likelihood from probable to near certain.

The impact of the risk has not been increased as it is expected that the other members of the senior management team will remain at the Fund which helps with stability and should assist with a smooth transition to a new Head of Pensions.

- A1 Moderate Risk – The funding level worsens or falls below 100% due to investment returns being below the levels assumed in the triennial valuations (i.e. relative return to discount rate).

This risk was considered by the Board at the meeting in July, when there were concerns about the funding level. At that meeting, the Board were informed that the Fund value had been c£13 billion as at 31 December 2021. By 31 March 2022 (the key date for the 2022 valuation), the Fund value had fallen to c£12.7bn.

As at 31<sup>st</sup> March 2022, the funding level was 110%. This is very welcome and means there is a 10% surplus of assets, which provides a reasonable level of protection against adverse movements in the funding level.

As indicated at the meeting in July, the asset values in the Fund had fallen to £12.2bn by the end of June 2022. However, the funding level is the ratio between the assets and liabilities, and it is therefore necessary to consider the value of the liabilities also.

At the training delivered on 22<sup>nd</sup> September, the Actuary had estimated that despite these falls in the asset values the funding level at the end of June was broadly the same as at the end of March. The fall in asset value had reduced the funding level by around 4% but the liabilities had also fallen by a similar margin. In broad terms, he indicated that at the time of the training he would not have expected this position to have changed significantly.

Since the training session was delivered, there has been a further fall in markets and at the time of writing, on 3<sup>rd</sup> October the Fund value had fallen to £11.8bn.

The key unknown at this time is the impact of the changing environment on liability values. Whilst it is easy to monitor asset values, it is more difficult to track liability values, and this requires an analysis to be undertaken by the Actuary. In between valuation years a quarterly report is received from the

Actuary, however, in the valuation year this analysis is not routinely undertaken as the focus is on the valuation itself. Nonetheless, the expectation would be that falling asset values would result in an increase in the discount rate and any increase in the discount rate would reduce the value of the liabilities. This should help in protecting the funding level.

Given the strength of the funding level at the 2022 valuation, and anticipated increases in the discount rate since the valuation date, it is not considered necessary to increase this risk at this time despite the fall in asset values.

13. Board members may recall that following the completion of the Risk Management audit in June 2021, Officers were tasked with looking at the format of the Risk Register. Following on from this we have now produced an executive summary Risk Register that is a more 'user friendly' version of the current Register for website use. The shorter version Risk Register outlines the risks we consider and provides a shortened selection of the controls we have in place. This is now available on the Fund's website.
14. A copy of the full Risk Register is attached to this report as Appendix B. The Board's views on the Risk Register are requested.

### **2021/22 Audit Programme**

15. The 2021/22 internal audit programme has now completed. An audit of Annual Allowance and Lifetime Allowance from this programme was deferred into 2022/23 and work on this has now began. We are currently finalising the recommendations and scoring within the draft report.

### **2022/23 Audit Programme**

16. The audit plan for 2022/23 is as follows:

<b>Audit Subject</b>	<b>Scope of Work</b>
Governance	High level review of governance arrangements in place for the Fund, including the effectiveness of the Local Pension Board and its interactions with Pensions Committee.
Risk Management	To facilitate a risk management workshop with members and report outputs from this workshop.
Investment Monitoring Review	To review the approach to monitoring the Fund's investment managers and pooled investments, as well as reviewing the mechanisms by which drawdown calls and distributions are managed.
Verification Processes	To review arrangements for verifying identity and other documentation submitted to the Fund by members. To

	consider risks and opportunities around future options for managing these processes.
Pensions Payroll	To review arrangements in place for processing pensions payroll following activity being taken 'in house' by the Fund.
IT Change Management	Consultancy review to consider arrangements in place for managing changes to IT systems and ensuring these enable compliance with regulatory standards.
Benefit Awards	To review arrangements in place for managing retirement / deferred retirement benefit, ensuring these are calculated correctly, in line with legislation and are supported by appropriate evidence.
Transfers Out	To review arrangements in place for managing transfers out from the Fund.
Data Quality	To review implementation of the standard approach to data scoring.
Performance Management	To review completeness and accuracy of performance information compiled and reported. This will include assessment against CIPFA guidance where appropriate.

17. During the last quarter no internal audit reports have been received.

18. The Board will be kept updated as the 2022/23 internal audit programme progresses.

**Recommendation**

19. The Board is asked for its views on the Risk Register and the internal audit programme.

**Reason for Recommendation**

20. To ensure the risks and the internal audit programme are appropriately monitored and managed.

## Risk Assessment Methodology

## Impact

Impact/Area	Negligible	Marginal	Significant	Substantial
<b>Governance</b>	Little or no impact	Minor short term	Moderate short term	Sustained
<b>Assets</b>	Less than 1% of asset	1-5% of assets	5–15% of assets	Over 15% of assets
<b>Liabilities/ Funding</b>	Minor or no impact on liabilities/ funding level	Low impact on liabilities/ funding level	Significant but recoverable impact	Significant and irrecoverable
<b>Legal</b>	Minor short term	Moderate short term	Serious short term	Serious long term
<b>Service Delivery</b>	Minor short term	Moderate short term	Serious short term	Serious long term
<b>Reputation</b>	Minor short term	Moderate short term	Serious short term	Serious long term

## Likelihood

Event is expected to occur	Near certain
Event should occur at some time	Probable
Event could occur at some time	Possible
Event may occur only in rare circumstances	Improbable

## Appendix B

### Risk Register

Review – 27 September 2022

Impact / Likelihood	Negligible	Marginal	Significant	Substantial
<b>Near certain</b>	Moderate A7, S1	High S6,S7	Critical	Critical
<b>Probable</b>	Moderate L4, L5, A6, A9	High R1, F8, L1, S3, S9	Critical	Critical
<b>Possible</b>	Minor A4, A5, A8, A12, A13, F3, L6, L7, L8	Moderate G1 G2, G5, A1, A3, A15, F1, F5, S2, S10, S13, S14, S16, S17	High S12	Critical
<b>Improbable</b>	Minor A10	Minor	Moderate	High

## Changes at this Review

Risk		From	To	Reason
Ref	Title			
G1	There may be a lack of knowledge and understanding by the Committee and Local Pension Board.	Probable / Marginal (High)	Possible / Marginal (Moderate)	This risk was increased in likelihood in February 2021 when it became known there was to be relatively high turnover of both Committee and Board members. Since this time, new members have benefitted from induction training and the ongoing training programme. This has been supplemented by additional training through the Hymans Robertson Training Academy. The current Board has now been in place for around 18 months and there is strong resilience of knowledge and experience across the Committee and the Board. This risk is therefore reverting to its previous likelihood of probable.
G4	As we transition away from Covid-19 restrictions there are impediments to effective governance arrangements.	Improbable / Marginal (Minor)	REMOVED FROM REGISTER	Covid 19 no longer impacts on the governance arrangements of the Fund, and this is no longer considered a material risk.
S6	Key people leave, and this places a strain on remaining resources to cover the role and responsibilities.	Probable / Marginal (High)	Near Certain / Marginal (High)	Due to the Head of Pensions intention to retire, the likelihood of this risk has been increased to 'near certain'. The impact of

				the risk has not been increased due to the strength of the senior management team and the anticipated recruitment timetable.
S15	Significant loss of staff due to Covid-19	Possible / Marginal (Moderate)	REMOVED FROM REGISTER	Covid 19 no longer poses a threat to the staff to the extent where it is expected that a significant number of staff will be absent at the same time, particularly given the ability for staff to work from home. This risk was discussed at the Board meeting in July and it was agreed that this could be deleted at the next review.

### Approach to Considering Risks

1. The Risk Register is scored on a net basis, which means after all controls have been applied.
2. The impact of Covid-19 is no longer considered a material risk to the Fund.

### Notes on Potential Future Risks

3. The impact of the UK's departure from the European Union, and the implementation of any new trade deals, has been considered through the risks already included in the Risk Register rather than as a separate risk in itself.
4. The Scheme Advisory Board has commissioned a review of the Governance arrangements for pension funds. Hymans has produced a final report. Deloitte considered the SAB review as part of their annual governance review and confirmed the Fund's current approach was broadly consistent with the recommendations to date. The position will be reviewed as the Good Governance Review progresses further.

5. A significant number of consultations are expected from Central Government within the next 6 months covering a wide range of issues such as good governance, levelling up, pooling, TCFD etc. This may cause resource issues in responding appropriately to these consultations.
6. Aon has undertaken a review of the Fund's compliance with tPR Code of Practice 14. Aon concluded that the Fund was fully compliant in all areas, except for four where the Fund was found to be partially compliant. The tPR Code of Practice 14 is soon to be superseded by a single modular code. The position on risks will be reviewed once this is in place.
7. There are a number of risks that relate to investment pooling. In particular, risks G2 and A13 which are specific pooling related risks. At the current time they are still considered to be relevant. Other risks such as a failure of an investment manager process will also impact. As more assets transfer over to BCPP, a holistic review of the risk from pooling will need to be undertaken.
8. The impact of implementing the McCloud remedy is considered through existing risks in the risk register. It has not been considered necessary to create McCloud specific risks.
9. No new risks have been created following Russia's invasion of Ukraine. This has been factored into the general review of the Risk Register and, more specifically, through risk A1 where no change was made and through risk R1 where the ongoing situation was a factor in the risk being increased.

## **Other Notes**

10. None.

	<b>Ref.</b>	G1	<b>Risk Owner</b>	Pensions Committee	<b>Updated</b>	06/08/2021
<b>Risk</b>	There may be a lack of knowledge and understanding by the Committee and Local Pension Board.					
<b>Impact</b>	Potential for poor decision making and lack of challenge to officers and advisors.					
<b>Controls</b>	Training Policy and Programme in place based on CIPFA Code of Practice and Knowledge and Skills Frameworks for Pensions Committees and Local Pension Boards. Diverse skills base amongst Members. Size of Committee provides protection against turnover. Annual Committee self assessment of skills base and review of governance structure. Availability of advisors and officers. Local Pension Board strengthens governance structure. A joint training policy has been agreed by the Committee and the Local Pensions Board. The Committee and the Board in 2018/19 scored themselves against the CIPFA KSF and this will be used to inform the training programme. Induction training delivered to new members. Many Committee and Board members have undertaken the Hymans National Knowledge Assessment which identified areas of training need which will help inform training programme going forward. Subscribed to Hymans Robertson Learning Academy.					

<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>	Mod	High	Critical	Critical
<b>Probable</b>	Mod	High	Critical	Critical
<b>Possible</b>	Min	Mod XXXXX	High	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	Moderate	<b>Strategy</b>	Treat
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<b>Action Required</b>	Review new CIPFA Knowledge and Skills Framework for Committee and Officers and then Committee and Board training self-assessment to be undertaken
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		<b>Ref.</b>	G2	<b>Risk Owner</b>	Head of Pensions	<b>Updated</b>	As G1
<b>Risk</b>	Following the move to asset pooling the Fund has reduced control over the implementation of the Investment Strategy which may lead to sub optimal decisions being taken on behalf of Tyne and Wear Pension Fund. (see A13 also).						
<b>Impact</b>	Potential for the Fund not being able to fully implement its Investment Strategy. May need to compromise on what is in the best interests of the Fund. Material short term governance burden as new arrangements are researched and put into place.						
<b>Controls</b>	Actively participate in the governance arrangements for the pool and ensure the position of the Fund is protected. External advisors have been appointed. Strategy and asset allocation decisions remain at the Fund level. Audit undertaken by Deloitte on pooling governance gave a rating of substantial assurance.						

<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>	Mod	High	Critical	Critical
<b>Probable</b>	Mod	High	Critical	Critical
<b>Possible</b>	Min	Mod xxxxx	High	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	Moderate	<b>Strategy</b>	Treat
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<b>Action Required</b>	Review of Border to Coast governance documents being undertaken in 2022. Officers involved in process.
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		<b>Ref.</b>	G5	<b>Risk Owner</b>	Head of Pensions	<b>Updated</b>	As G1
<b>Risk</b>	As we transition to a new organisational structure and move to hybrid working, the Fund may be unable to meet the more significant objectives in the Service Plan.						
<b>Impact</b>	Key projects do not progress resulting in service improvements not being delivered.						
<b>Controls</b>	<p>There is a quarterly review of the Service Plan in place. A modern approach to working has been adopted with staff having returned to the office 2-3 days per week to help improve operational efficiency.</p> <p>Priority needs to be given to those objectives in the Service Plan which will have the biggest impact.</p>						

<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>	Mod	High	Critical	Critical
<b>Probable</b>	Mod	High	Critical	Critical
<b>Possible</b>	Min	Mod xxxxx	High	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	Moderate	<b>Strategy</b>	Treat
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<b>Action Required</b>	
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		<b>Ref.</b>	R1	<b>Risk Owner</b>	Head of Pensions	<b>Updated</b>	As G1
<b>Risk</b>	Insufficient attention to environmental, social and governance (ESG) issues can lead to reputational damage.						
<b>Impact</b>	The Fund receives criticism for not fully observing and embracing this matter from scheme members and in the press. The Fund also needs to be aware of the statutory guidance in this respect which requires the Fund to make the pursuit of financial return its predominant concern. ESG factors can and should be taken into account but only if doing so would not involve significant risk of financial detriment to the scheme and believe that scheme members would support the decision.						
<b>Controls</b>	The Fund's Investment Strategy Statement and Corporate Governance Policy cover the extent to which social, environmental and governance considerations are taken into account in the selection, retention and realisation of investments. Member of the LAPFF. The Fund has a Climate Change Policy and a range of climate related commitments. A number of actions are in the Service Plan and are monitored quarterly						

<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>	Mod	High	Critical	Critical
<b>Probable</b>	Mod	High xxxxx	Critical	Critical
<b>Possible</b>	Min	Mod	High	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	High	<b>Strategy</b>	Treat
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<b>Action Required</b>	Prepare a report on the new Stewardship Code for Committee in 22/23.  Website needs to be updated to increase the visibility of the Fund's approach to climate change risk.
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		<b>Ref.</b>	A1	<b>Risk Owner</b>	Head of Pensions	<b>Updated</b>	As G1
<b>Risk</b>	The funding level worsens or falls below 100% due to investment returns being below the levels assumed in the triennial valuations, i.e. relative return to discount rate.						
<b>Impact</b>	Reduced investment return leading to the potential for higher employer contributions and greater volatility in level of contributions.						
<b>Controls</b>	Valuation assumptions are discussed and agreed with the Actuary. Conservative return assumptions have been used when setting the discount assumption of 4.3% for the 2019 valuation, and circa 5.0% for the Asset Liability Modelling (ALM). The actual return for the period from March 2019 to March 2022 is 8.6%.						

<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>	Mod	High	Critical	Critical
<b>Probable</b>	Mod	High	Critical	Critical
<b>Possible</b>	Min	Mod xxxxx	High	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	Moderate	<b>Strategy</b>	Treat
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<b>Action Required</b>	Implement the 2022 Investment Strategy review.
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		<b>Ref.</b>	A3	<b>Risk Owner</b>	Head of Pensions	<b>Updated</b>	As G1
<b>Risk</b>	The Fund does not have an appropriate strategic benchmark and an appropriate investment management structure.						
<b>Impact</b>	Possible reduced investment return, leading to the potential for higher employers' contributions and greater volatility in level of contributions. Possible need to devise and implement a revised strategy. Non-compliance with Investment Principles.						
<b>Controls</b>	The benchmark is reviewed in depth when up to date liability data becomes available after each triennial valuation. Interim studies and analysis are carried out in intervening years, as appropriate. 2022 review of Investment strategy completed and signed off by Committee in September 2022. A quarterly review of tactical positions also takes place. A currency hedge on US assets with L&G was implemented in March 2020.						

<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>	Mod	High	Critical	Critical
<b>Probable</b>	Mod	High	Critical	Critical
<b>Possible</b>	Min	Mod xxxxx	High	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	Moderate	<b>Strategy</b>	Treat
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<b>Action Required</b>	Implement the 2022 Investment Strategy review.
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		<b>Ref.</b>	A4	<b>Risk Owner</b>	Head of Pensions	<b>Updated</b>	As G1
<b>Risk</b>	There is inadequate monitoring of the performance of managers (including Border to Coast) and custodians. Failure to undertake formal reviews, if required.						
<b>Impact</b>	Possible breach of statutory duty, leading to adverse audit reports and poor publicity. Possible reduced investment return. Selection process leading to assets under care and maintenance. Cost of transition of assets. Assets in limbo in the case of a corporate failure. Move to pooling may result in reduced direct access to the underlying investment managers.						
<b>Controls</b>	A detailed monitoring process is in place that involves the Committee, Investment Panel, Officers and the Investment Advisor. Monthly reconciliation of portfolios. Have agreed an approach to monitoring Border to Coast. Portfolio Evaluation undertake full risk and return reporting for all managers including Border to Coast.						

<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>	Mod	High	Critical	Critical
<b>Probable</b>	Mod	High	Critical	Critical
<b>Possible</b>	Min xxxxxx	Mod	High	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	Minor	<b>Strategy</b>	Treat
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<b>Action Required</b>	A review of investment monitoring is included in the 2022 / 2023 Audit programme
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		<b>Ref.</b>	A5	<b>Risk Owner</b>	Principal Investment Manager	<b>Updated</b>	As G1
<b>Risk</b>	There is a failure of an investment manager's (including Border to Coast) process that significantly affects the Fund.						
<b>Impact</b>	Reduced investment return, but at a level that is unlikely to be of significance to employers' contributions. Possible need to review the affected manager's investment process. Potential for adverse publicity.						
<b>Controls</b>	<p>Investment strategy is subject to continuous review by managers. Investment Panel and Officers review strategy quarterly. Investment structure is well diversified. Investment Advisor and others available to provide advice, market intelligence and views. Some Assets are currently being held in passive funds until Border to Coast pooling arrangements present suitable alternatives.</p> <p>The move to pooling will diversify our exposure to the underlying managers which should reduce the risk. However, as more assets transfer over there will be more direct risk from Border to Coast as our investment manager.</p> <p>Work closely with Border to Coast on the development of new investment sub funds.</p>						

<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>	Mod	High	Critical	Critical
<b>Probable</b>	Mod	High	Critical	Critical
<b>Possible</b>	Min xxxxx	Mod	High	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	Minor	<b>Strategy</b>	Treat
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<b>Action Required</b>	
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		<b>Ref.</b>	A6	<b>Risk Owner</b>	Principal Investment Manager	<b>Updated</b>	As G1
<b>Risk</b>	The failure of an investment, or broker or stock lending counterparty.						
<b>Impact</b>	Trades fail, potential for assets (securities and / or cash) to be in limbo or lost.						
<b>Controls</b>	Managers review counterparties and individual investments. Collateral and indemnities, custodian controls and counterparty limits in place for stock lending.						

<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>	Mod	High	Critical	Critical
<b>Probable</b>	Mod xxxxxx	High	Critical	Critical
<b>Possible</b>	Min	Mod	High	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	Moderate	<b>Strategy</b>	Treat
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<b>Action Required</b>	Monitor the position on MF Global recovery., which stood at 90% to June 2022
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		<b>Ref.</b>	A7	<b>Risk Owner</b>	Principal Investment Manager	<b>Updated</b>	As G1
<b>Risk</b>	An investment manager is underperforming against its investment mandate.						
<b>Impact</b>	Reduced investment return, but at a level that is unlikely to be of significance to employers' contributions. Possible need to review the affected managers' investment process. Potential for adverse publicity.						
<b>Controls</b>	Investment strategy is subject to continuous review by the Fund. Investment Panel and Officers review strategy quarterly. Investment structure is well diversified. Investment Advisor available to provide proactive advice. Some assets have been moved to passive until BCPP pooling arrangements present suitable alternatives.						

<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>	Mod xxxxx	High	Critical	Critical
<b>Probable</b>	Mod	High	Critical	Critical
<b>Possible</b>	Min	Mod	High	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	Moderate	<b>Strategy</b>	Treat
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<b>Action Required</b>	
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		<b>Ref.</b>	A8	<b>Risk Owner</b>	Principal Investment Manager	<b>Updated</b>	As G1
<b>Risk</b>	There is an act of fraud and/or a breach of the investment guidelines by an investment manager (including Border to Coast).						
<b>Impact</b>	Reduced investment return, but at a level that is unlikely to be of significance to employers' contributions. Possible need to review the affected managers' investment process. Potential for adverse publicity.						
<b>Controls</b>	Each manager's strategy is subject to continuous review by the Investment Panel and Officers. Monthly monitoring of portfolios is in place. Investment Advisor available to provide proactive advice. Managers' internal control reports are reviewed annually as part of the closedown processes (including BCPP). Regulatory framework within which investment managers operate.						

<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>	Mod	High	Critical	Critical
<b>Probable</b>	Mod	High	Critical	Critical
<b>Possible</b>	Min xxxxx	Mod	High	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	Minor	<b>Strategy</b>	Treat
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<b>Action Required</b>	
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		<b>Ref.</b>	A9	<b>Risk Owner</b>	Head of Pensions	<b>Updated</b>	As G1
<b>Risk</b>	That in the longer term the amount of cash coming into the Fund reduces to a level that is not sufficient to cover outgoings. This is caused by the scheme naturally maturing. The speed at which it matures is being impacted by ER/VR programmes and employers restricting access to new members to the scheme.						
<b>Impact</b>	Decreased cash flow to rebalance structure and to meet large cash requirements such as a property purchase. Impending need to withdraw income or capital from managers in the medium term and to review the structure in the long term.						
<b>Controls</b>	Monthly monitoring of cash flow and of membership movements. Asset Liability Modelling (ALM) work undertaken to model the optimal structure. Latest estimate of cash flow position suggests the Fund could still increase its allocation to private markets and stay cashflow positive (including investment income). Moved L&G investments and BCPP IGC to income producing units. BCPP MAC fund reviewed, and decision taken not to take income from the BCPP MAC fund following review of the requirements.						

<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>	Mod	High	Critical	Critical
<b>Probable</b>	Mod xxxxxx	High	Critical	Critical
<b>Possible</b>	Min	Mod	High	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	Moderate	<b>Strategy</b>	Treat
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<b>Action Required</b>	
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		<b>Ref.</b>	A10	<b>Risk Owner</b>	Principal Investment Manager	<b>Updated</b>	As G1
<b>Risk</b>	In the short term there is insufficient cash for investment requirements or other commitments, including paying pensions.						
<b>Impact</b>	Possible forced and disorderly realisation of assets to meet commitments if the position cannot be covered by temporary borrowing.						
<b>Controls</b>	<p>System in place for weekly review of the working capital position. Power to borrow to cover certain types of shortfall. Also a monthly review of net cash flow position.</p> <p>Latest estimate of cash flow position in early 2022 showed that whilst the Fund is cashflow negative any shortfall can be met from investment income.</p> <p>Latest agreed investment strategy includes a 1% allocation to cash. Move to income producing units with investment managers.</p>						

<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>	Mod	High	Critical	Critical
<b>Probable</b>	Mod	High	Critical	Critical
<b>Possible</b>	Min	Mod	High	Critical
<b>Improbable</b>	Min xxxxx	Min	Mod	High

<b>Net Risk</b>	Minor	<b>Strategy</b>	Treat
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<b>Action Required</b>	Review the cashflow position based on reduced contribution payments and higher pension payments
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		<b>Ref.</b>	A12	<b>Risk Owner</b>	Head of Pensions	<b>Updated</b>	As G1
<b>Risk</b>	The Fund is unable to properly deal with its overseas tax liabilities and meet the requirements of overseas tax authorities.						
<b>Impact</b>	Over or under recovery of tax. Failure to manage filing obligations. Penalties imposed by tax authorities.						
<b>Controls</b>	Deloitte has previously carried out audit work and provided Adequate (second highest) assurance. Controls are comparable to those at other funds. Regular discussion with managers to evaluate positions. Use of blocking structures. The Fund had advice from Deloitte in Oct 2018 on the completion of tax exemption forms.						

<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>	Mod	High	Critical	Critical
<b>Probable</b>	Mod	High	Critical	Critical
<b>Possible</b>	Min xxxxx	Mod	High	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	Minor	<b>Strategy</b>	Treat
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<b>Action Required</b>	<p>Need to understand and get assurance from Border to Coast on their approach to tax management. Need to review Border to Coast report on tax.</p> <p>Consider developing a tax manual and review tax status in overseas jurisdictions. This review is on hold at the moment as it is not considered to be a priority.</p>
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		<b>Ref.</b>	A13	<b>Risk Owner</b>	Head of Pensions	<b>Updated</b>	As G1
<b>Risk</b>	Following the move to asset pooling and the transfer of assets to Border to Coast this may not result in an improvement in net returns (See also G2).						
<b>Impact</b>	Potential for lower gross and net investment returns, transition costs and forced sale of investments at a sub optimal price. True impact on performance over the longer term will not be known for several years.						
<b>Controls</b>	Contribute to the Pool's deliberations in this area. Strategy and asset allocation decisions remain at the Fund level. Monitoring of the performance of Border to Coast products is undertaken by the Fund and Portfolio Evaluation. The Fund is actively involved in the transition advisors and managers for each transition with Border to Coast. The Fund is monitoring the costs and savings from pooling and reporting this to the Committee and the Local Board. Border to Coast proposals on property, regional equities and emerging markets equities are under consideration.						

<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>	Mod	High	Critical	Critical
<b>Probable</b>	Mod	High	Critical	Critical
<b>Possible</b>	Min xxxxx	Mod	High	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	Minor	<b>Strategy</b>	Treat / Tolerate
<b>Action Required</b>			

		<b>Ref.</b>	A15	<b>Risk Owner</b>	Head of Pensions	<b>Updated</b>	As G1
<b>Risk</b>	The potential impact of climate change has not been sufficiently reflected in the Fund's Investment Strategy or by the Investment Managers which could lead to financial losses.						
<b>Impact</b>	Investment valuations are reduced as the impact of climate change is recognised in the investment market, affecting company asset valuations, revenue prospects, profitability and even company viability. The Fund receives criticism from members and the wider public for not confronting this matter. The Fund is perceived to have failed to comply with the law and statutory guidance on addressing climate change as a financial risk.						
<b>Controls</b>	Climate change is recognised as a specific financial risk in the Fund's Investment Strategy Statement and Corporate Governance and Responsible Investment Policy. The documents say how climate change is taken into account in the selection, retention and realisation of investments as part of the wider approach to social, environmental and governance considerations. The Fund believes that engagement with companies is the most appropriate way to effect change and to manage the Fund's exposure to this risk. Fund has invested in the L&G Future World Fund which will improve the approach to passive ESG issues. Carbon footprint review undertaken and reported to Committee. Committee approved Climate Change Policy and Net Zero Carbon ambitions including carbon reduction targets.						
<b>Impact / Likelihood</b>	<b>Negligible</b>		<b>Marginal</b>		<b>Significant</b>		<b>Substantial</b>
<b>Near Certain</b>	Mod		High		Critical		Critical
<b>Probable</b>	Mod		High		Critical		Critical
<b>Possible</b>	Min		Mod xxxxx		High		Critical
<b>Improbable</b>	Min		Min		Mod		High
<b>Net Risk</b>	Moderate			<b>Strategy</b>		Treat	
<b>Action Required</b>	Challenge Investment Management on engagement process and reporting on exposure to climate related risks and opportunities. Work with Border to Coast on Responsible Investment Policy.  Deliver against the actions in the Service Plan, including climate change.						

		<b>Ref.</b>	F1	<b>Risk Owner</b>	Head of Pensions	<b>Updated</b>	As G1
<b>Risk</b>	The funding level worsens or falls below 100%, due to outturn differing from valuation assumptions.						
<b>Impact</b>	Potential for higher employer contributions and greater volatility in level of contributions. Financial strain on employers. Possibility of employer failure amongst smaller employers. Withdrawal from the Fund of non-scheduled employers.						
<b>Controls</b>	Valuation assumptions are discussed and agreed with the actuary and employers. Cessation valuations for orphan liabilities have a matched strategy. Cost Management process will assist. Have considered use of inflation and interest rate protection with Hymans Robertson – no action required at present. Increased scrutiny of valuation strategies and assumptions by Government Actuary's Department (GAD). Aon provide quarterly funding updates during non-valuation years						

<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>	Mod	High	Critical	Critical
<b>Probable</b>	Mod	High	Critical	Critical
<b>Possible</b>	Min	Mod xxxxx	High	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	Moderate	<b>Strategy</b>	Treat
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<b>Action Required</b>	.
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		<b>Ref.</b>	F3	<b>Risk Owner</b>	Principal Pensions Manager	<b>Updated</b>	As G1
<b>Risk</b>	Member data and record keeping is of poor quality due to inadequate data flows from an employer or inadequate data cleansing.						
<b>Impact</b>	Failure to comply with the Public Service Pensions (Record Keeping and Miscellaneous Amendment) Regulations 2014 and Pensions Regulator's guidance. Incorrect benefits could be paid causing reputational damage and fines for maladministration. In extreme cases, poor data could affect Fund valuations as the funding strategy could be inappropriate and the declared funding level incorrect. Failure to meet regulatory deadline for submission of data to GAD.						
<b>Controls</b>	The Pensions Office works with employers to obtain accurate and timely data. A Pensions Administration Strategy is in place. Comprehensive data cleansing and data checks are carried out by the Pensions Office and the Actuary. For the 2022 valuation the Actuary has undertaken a data check. TPR data cleansing strategy first implemented from 2014 for Common Data and Scheme Specific Data in 2018. Most recent scores from 2021 were 99.8% for common data and 98.7% for scheme specific data. Data improvement plan in place. Engaging with employers and informing Committee and Board.						

<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>	Mod	High	Critical	Critical
<b>Probable</b>	Mod	High	Critical	Critical
<b>Possible</b>	Min xxxxx	Mod	High	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	Minor	<b>Strategy</b>	Treat
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<b>Action Required</b>	The Fund will move to a standardised approach for the 2022 scores. Undertake audit review in the year commencing 2022/23 on the approach to data quality assessments.
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		<b>Ref.</b>	F5	<b>Risk Owner</b>	Principal Pensions Manager	<b>Updated</b>	As G1
<b>Risk</b>	The Fund is left with a deficit when an employer leaves with inadequate provision for the deficit.						
<b>Impact</b>	Financial loss to the Fund that has to be made up by a guarantor / insurer. In the absence of a guarantor, the funding gap would be met by the remaining employers in the Fund.						
<b>Controls</b>	Use a valuation strategy that reduces deficits as quickly as is reasonable. Consider additional contributions when an employer is known to be leaving the Fund. Obtain guarantees and bonds where possible. Deloitte audit in 2021/22 gave Substantial assurance. The regulations require the payment of a deficiency for all exiting employers. Colleges and Universities have been moved to an intermediate discount rate from the 2019 valuation. Guarantees provided by Northumberland in respect of certain admitted bodies who previously participated in NCCPF. Covenant assessment exercise of all employers undertaken in 2022. FSS updated on new exit regime.						

<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>	Mod	High	Critical	Critical
<b>Probable</b>	Mod	High	Critical	Critical
<b>Possible</b>	Min	Mod xxxxx	High	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	Moderate	<b>Strategy</b>	Treat / Transfer
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<b>Action Required</b>	.
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		<b>Ref.</b>	F8	<b>Risk Owner</b>	Principal Pensions Manager	<b>Updated</b>	As G1
<b>Risk</b>	Employees do not join or remain in the Fund, either for financial reasons, regulatory change or because their employer does not promote the scheme or structures employees away from the Scheme (scheduled and admitted bodies) or prevents membership (admitted bodies only). Fewer new starters re use of short-term contracts by employers allied to the two year vesting period in the new scheme.						
<b>Impact</b>	Decreased cash flow into the Fund. Fund matures quicker than it would otherwise. Potential for increase in employers' contributions.						
<b>Controls</b>	Take action against employers who fail to comply with regulations on enrolment. Where possible, promote benefits of scheme membership, whilst recognising that this is sometimes not favoured by employers. Following a consultation which suggested that colleges and universities may be allowed to close to new membership a communication has been sent to the Colleges and Universities notifying them of the potential change in approach the Fund may adopt at the next valuation should they close to new membership. Ensure members are provided with appropriate information to make informed decisions.						

<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>	Mod	High	Critical	Critical
<b>Probable</b>	Mod	High xxxxx	Critical	Critical
<b>Possible</b>	Min	Mod	High	Critical
<b>Improbable</b>	Min	Min	Mod	High
<b>Net Risk</b>	High		<b>Strategy</b>	Tolerate
<b>Action Required</b>	Develop an Employer engagement Strategy Develop a Member engagement Strategy			

		<b>Ref.</b>	L1	<b>Risk Owner</b>	Principal Pensions Manager	<b>Updated</b>	As G1
<b>Risk</b>	Failure to apply the Regulations correctly in relation to benefits, especially where changes may be retrospective (eg McCloud).						
<b>Impact</b>	Breach of Regulations. Benefits not paid correctly to members. Risk of adverse publicity. Censure by tPR, IDRPs and Pensions Ombudsman. Risk of financial penalties.						
<b>Controls</b>	Resources are applied to interpretation of Regulations. Checks are made on the software from the design stage. High degree of check built into the system and processes. Staff training. Cross reference opinions on regulations to other funds, the Actuary and DLUHC. Legal Services are involved in the interpretation of the Regulations. Plan exists for implementing McCloud.						

<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>	Mod	High	Critical	Critical
<b>Probable</b>	Mod	High xxxxx	Critical	Critical
<b>Possible</b>	Min	Mod	High	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	High	<b>Strategy</b>	Treat
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<b>Action Required</b>	
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		<b>Ref.</b>	L4	<b>Risk Owner</b>	Principal Pensions Manager	<b>Updated</b>	As G1
<b>Risk</b>	The Fund fails to comply with General Data Protection Regulations, or has a data protection breach.						
<b>Impact</b>	Enforcement action, service disruption, costs, adverse publicity.						
<b>Controls</b>	Corporate procedures are followed. In addition pensions service specific controls are applied. GDPR Action plan produced and all key actions completed by GDPR implementation date. Internal Audit of GDPR and Data Security undertaken in 2018/19 which provided substantial assurance. STC has implemented an e-learning approach to GDPR. A log of all data protection breaches is maintained, which includes action taken to improve. Moving to a third party printing supplier which reduces the risk of data breaches. Mandatory cyber security and data protection e-learning for all staff. Annual report to Local Pension Board. Staff are required to undertake e-learning modules and completion of these modules is monitored. Implementation plan for Dashboards includes data security.						

<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>	Mod	High	Critical	Critical
<b>Probable</b>	Mod xxxxx	High	Critical	Critical
<b>Possible</b>	Min	Mod	High	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	Moderate	<b>Strategy</b>	Treat
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<b>Action Required</b>	
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<b>No.</b>	xxxx	<b>Ref.</b>	L5	<b>Risk Owner</b>	Principal Pensions Manager	<b>Updated</b>	As G1
<b>Risk</b>	The Fund provides inappropriate or incorrect information and guidance to a member.						
<b>Impact</b>	Inferior service to member. Risk of public censure and financial penalties imposed by regulators. Risk of requirement to pay restitution.						
<b>Controls</b>	General issues are addressed through staff training. Staff are advised that the Fund cannot give advice. Ongoing review of communications to ensure that the information guidance offered is in line with regulatory changes.						

<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>	Mod	High	Critical	Critical
<b>Probable</b>	Mod xxxxxx	High	Critical	Critical
<b>Possible</b>	Min	Mod	High	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	Moderate	<b>Strategy</b>	Treat
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<b>Action Required</b>	
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<b>No.</b>	xxxx	<b>Ref.</b>	L6	<b>Risk Owner</b>	Principal Pensions Manager	<b>Updated</b>	As G1
<b>Risk</b>	Failure to manage member related tax correctly.						
<b>Impact</b>	Penalties and interest payments to the fund and members. Members' tax positions may be compromised.						
<b>Controls</b>	Periodic audits are carried out on management of tax by audit partner. Increased awareness by staff. Information included in ABS and other member communication. A further audit on Tax allowances was undertaken in 2021/22 and no specific actions identified that are not already in place. Correspondence is sent to members with known Annual Allowance issues and/or those approaching their lifetime allowance.						

<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>	Mod	High	Critical	Critical
<b>Probable</b>	Mod	High	Critical	Critical
<b>Possible</b>	Min xxxxx	Mod	High	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	Minor	<b>Strategy</b>	Treat
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<b>Action Required</b>	
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<b>No.</b>	xxxx	<b>Ref.</b>	L7	<b>Risk Owner</b>	Principal Pensions Manager	<b>Updated</b>	As G1
<b>Risk</b>	The Fund fails to identify an issue with the health and wellbeing and financial safety of members.						
<b>Impact</b>	A potential or actual issue arises and the appropriate action is not taken. Potential negative publicity.						
<b>Controls</b>	<p>Protocol issued to staff in March 2015. Staff are required to report issues upwards to senior management, Legal Team and to the appropriate safeguarding team in the Council and or the Police.</p> <p>Due diligence process on pensions transfers covers pension scams. This took account of the changes and awareness campaign of the Pensions Regulator.</p>						

<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>	Mod	High	Critical	Critical
<b>Probable</b>	Mod	High	Critical	Critical
<b>Possible</b>	Min xxxxxx	Mod	High	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	Minor	<b>Strategy</b>	Treat
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<b>Action Required</b>	Review the Protocol and training to be delivered.
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<b>No.</b>	xxxx	<b>Ref.</b>	L8	<b>Risk Owner</b>	Principal Pensions Manager	<b>Updated</b>	As G1
<b>Risk</b>	A transfer value is incorrectly managed.						
<b>Impact</b>	Potential for fines by Regulator and Ombudsman, tax charges and adverse publicity. Financial loss by member and potential tax liabilities.						
<b>Controls</b>	Systems reviewed to alert staff and members to position. TPR practices have been adopted. Strengthened disclaimer introduced. Legal and Senior Management review of cases. System in place re Freedom and Choice. Reviews of the transfer procedure have been undertaken and reported to the Local Board. Monitor the position of claims management companies.						

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<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>	Mod	High	Critical	Critical
<b>Probable</b>	Mod	High	Critical	Critical
<b>Possible</b>	Min xxxxxx	Mod	High	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	Minor	<b>Strategy</b>	Treat
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<b>Action Required</b>	Join Pensions Scams Industry Group pledge.
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<b>No.</b>	xxxx	<b>Ref.</b>	S1	<b>Risk Owner</b>	Principal Pensions Manager	<b>Updated</b>	As G1
<b>Risk</b>	Benefits and payments are accessed by individuals who are not entitled to receive them.						
<b>Impact</b>	Financial loss.						
<b>Controls</b>	High degree of check built into system. Name, address and bank detail checks. Selective eligibility checks, e.g child's pensions paid to students. Participate in NFI programme. Continued use of Tell Us Once and the Scheme's National NI Database have improved control. Recently moved to Western Union which provides additional controls in respect of payment to overseas members.						

<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>	Mod xxxxxx	High	Critical	Critical
<b>Probable</b>	Mod	High	Critical	Critical
<b>Possible</b>	Min	Mod	High	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	Moderate	<b>Strategy</b>	Treat
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<b>Action Required</b>	Review overpayments of pension policy by Investment Team
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<b>No.</b>	xxxx	<b>Ref.</b>	S2	<b>Risk Owner</b>	Principal Pensions Manager	<b>Updated</b>	As G1
<b>Risk</b>	The pensions processing software system is not fully updated in a timely manner and poor version control leads to a deterioration in the functionality.						
<b>Impact</b>	Unable to carry out aspects of pensions administration efficiently in line with regulations without manual intervention. Additional working costs. Service to employers and members is compromised.						
<b>Controls</b>	Ongoing monitoring of the performance of Civica through the use of Change Request Forms, participation in the user group, client manager meetings and monthly issue resolution meetings. Take a risk-based approach to implementation to new versions of the system. Testing following the release of new versions of the software. New contract provides additional controls on performance. Civica has attended Pensions Committee when required.						

<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>	Mod	High	Critical	Critical
<b>Probable</b>	Mod	High	Critical	Critical
<b>Possible</b>	Min	Mod xxxxx	High	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	Moderate	<b>Strategy</b>	Treat
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<b>Action Required</b>	IT Change Management Audit is included in the 2022/23 Audit Plan
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No.	xxxx	Ref.	S3	Risk Owner	Principal Pensions Manager	Updated	As G1
<b>Risk</b>	Failure to develop and introduce improved working practices across pensions processing, particularly increased automation and electronic processing and communication.						
<b>Impact</b>	Increased costs of processing. Additional processing backlogs arise. Statutory targets and local performance indicators are not met. Inferior service to employers and members. Risk of public censure and financial penalties imposed by regulators. Risk of requirement to pay restitution.						
<b>Controls</b>	<p>Development plans are in place, but delayed due to high levels of workload and impact of Covid and turnover of staff.</p> <p>Monitor progress and report to Committee and Board. The option of submitting data in hard copy has been removed for employers and where appropriate electronic means are available for Scheme members. Increased resources in the technical team.</p> <p>Monitor progress against service plans and continue to report to Committee.</p> <p>The new structure approved on 1<sup>st</sup> June which included the introduction of a development Manager and small team will focus on driving developments forward and identifying areas for improvement.</p> <p>Availability of consultancy time is included in the budget.</p>						

Impact / Likelihood	Negligible	Marginal	Significant	Substantial
<b>Near Certain</b>	Mod	High	Critical	Critical
<b>Probable</b>	Mod	High xxxxx	Critical	Critical
<b>Possible</b>	Min	Mod	High	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	High	<b>Strategy</b>	Treat
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<b>Action Required</b>	Implement new organisational structure.
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<b>No.</b>	xxxx	<b>Ref.</b>	S6	<b>Risk Owner</b>	Head of Pensions	<b>Updated</b>	As G1
<b>Risk</b>	Key people leave, and this places a strain on remaining resources to cover the role and responsibilities.						
<b>Impact</b>	Failure to deliver an adequate service. Increased stress and pressure of working.						
<b>Controls</b>	Structure kept under review. Continual review by senior managers of succession planning. Training programmes in place. Manuals and service planning in place. Annual Review process in place						

<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>	Mod	High XXXXX	Critical	Critical
<b>Probable</b>	Mod	High	Critical	Critical
<b>Possible</b>	Min	Mod	High	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	High	<b>Strategy</b>	Treat
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<b>Action Required</b>	Implement the new structure.  Recruit to the Head of Pensions post.
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<b>No.</b>	xxxx	<b>Ref.</b>	S7	<b>Risk Owner</b>	Principal Pensions Manager	<b>Updated</b>	As G1
<b>Risk</b>	Performance against Disclosure Regulations fails to deliver at an appropriate level.						
<b>Impact</b>	Breach of Regulations. Risk of adverse publicity. Censure by TPR, IDRPs and Pensions Ombudsman. Risk of financial penalties.						
<b>Controls</b>	New structure will provide greater focus and responsibility in defined areas. The new Employer Services team will introduce improved liaison and training for employers. Managers reporting back to senior management who in turn report to Committee and Board. Pensions Administration Policy in place and under review. Training is available. (Note a strict interpretation is that 100% is required, but this will never be achieved). Implemented new management information. Breaches policy in place with monitoring in place. Fill vacant posts as they arise.						

<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>	Mod	High xxxxx	Critical	Critical
<b>Probable</b>	Mod	High	Critical	Critical
<b>Possible</b>	Min	Mod	High	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	High	<b>Strategy</b>	Treat
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<b>Action Required</b>	
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<b>No.</b>	xxxx	<b>Ref.</b>	S9	<b>Risk Owner</b>	Head of Pensions	<b>Updated</b>	As G1
<b>Risk</b>	Insufficient resources create problems in service delivery.						
<b>Impact</b>	Issues with service delivery and meeting performance standards. This can also lead to significant backlogs building up. Additional work re Pooling until all assets are invested with BCPP which may impact on staff time. In addition, the move to hybrid working impacting the productivity of the service.						
<b>Controls</b>	Monitoring structure and key person risk. Training in place. Work flexibly re staff allocation. Working overtime selectively. Temporary staff are being used. Moved to electronic processing and member web has improved efficiency. Risk based approach applied to processing.						

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<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>	Mod	High	Critical	Critical
<b>Probable</b>	Mod	High xxxxx	Critical	Critical
<b>Possible</b>	Min	Mod	High	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	High	<b>Strategy</b>	Treat
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<b>Action Required</b>							

<b>No.</b>	xxxx	<b>Ref.</b>	S10	<b>Risk Owner</b>	Head of Pensions	<b>Updated</b>	As G1
<b>Risk</b>	Failure to fully rectify the members GMP values following the GMP reconciliation process.						
<b>Impact</b>	Potential for payment of pensions without an entitlement. May overpay or underpay pensions increases. Additional liability for the Fund.						
<b>Controls</b>	Software has been purchased to review and reconcile data. This exercise is complete. Now the new software contract is in place the Fund will explore purchasing the rectification module to first establish all underpay or over payments.						

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<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>	Mod	High	Critical	Critical
<b>Probable</b>	Mod	High	Critical	Critical
<b>Possible</b>	Min	Mod xxxxxx	High	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	Moderate	<b>Strategy</b>	Treat
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<b>Action Required</b>	Need to undertake the full reconciliation and rectification.
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<b>No.</b>	xxxx	<b>Ref.</b>	S12	<b>Risk Owner</b>	Head of Pensions	<b>Updated</b>	As G1
<b>Risk</b>	There is a risk of a Cyber Security attack corrupting systems and data and or stealing data. (See also L4 GDPR).						
<b>Impact</b>	There would be a service and reputational impact. Fines could be levied if inappropriate controls are considered to be in place.						
<b>Controls</b>	<p>The Fund fits within the Councils main control environment. Business continuity plans are in place. The Council is Public Service Network compliant, with an annual test. The Pension Fund administration system has an independent penetration test. High level of staff awareness of malicious emails. Review of Business continuity plan completed, including staff workshops. Sit on Council's Cyber Security Working Group. A presentation on Cyber Security has been made to the Board and the Committee. During the Covid-19 pandemic the ICT department introduced additional controls over emails received and home working arrangements. STC has provided mandatory e-learning training modules on cyber security. 2022 Audit of Cyber Security came back with substantial assurance. Staff are required to undertake e-learning modules and completion of these modules is monitored.</p>						

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<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>	Mod	High	Critical	Critical
<b>Probable</b>	Mod	High	Critical	Critical
<b>Possible</b>	Min	Mod	High xxxxx	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	High	<b>Strategy</b>	Treat
<b>Action Required</b>	Implement the recommendations from the 2022 Cyber Security Audit.		

<b>No.</b>	xxxx	<b>Ref.</b>	S13	<b>Risk Owner</b>	Head of Pensions	<b>Updated</b>	As G1
<b>Risk</b>	The Fund's electronic web services are not available to either individual members or employers.						
<b>Impact</b>	Individual members cannot access services online. This results in a reduced service to members and increases pressure on other modes of communication and information provision such as the helpline and by post. Employers cannot provide information to the Fund to process benefits and effectively maintain member records. Reputational impact if the system is continually unavailable.						
<b>Controls</b>	System scans and regular penetration tests are in place to ensure web services is not vulnerable to attack. Testing is in place prior to new modules going live. Within ICT there is a scheduled restart the servers running web services each evening. Microsoft SCOM monitoring is used which monitors the availability of the servers and the website. Any errors are displayed on screen, with emails sent to the Platform Team. In addition Pensions Technical Team have a morning routine to check web services is available. Civica UPM service desk manages any issues with web services with downtime allocated highest priority.						

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<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>	Mod	High	Critical	Critical
<b>Probable</b>	Mod	High	Critical	Critical
<b>Possible</b>	Min	Mod xxxxx	High	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	Moderate	<b>Strategy</b>	Treat
<b>Action Required</b>			

		<b>Ref.</b>	S14	<b>Risk Owner</b>	Head of Pensions	<b>Updated</b>	As G1
<b>Risk</b>	Failure to develop and introduce improved working practices as part of move to Modern Workplace programme, leads to a reduction in productivity.						
<b>Impact</b>	Reduced productivity means that backlogs build up and performance against disclosure requirements and key performance indicators deteriorate. Overall the service to members and employers suffers.						
<b>Controls</b>	<p>The Council has significantly increased the bandwidth for employees working from home and remotely accessing the Council's systems.</p> <p>A review of processes has been undertaken to streamline operations where possible to make remote working more efficient (for example the uploading of certificates). More staff are returning to the office to ensure a balanced approach to service delivery.</p> <p>Participate in the Council's Modern Workplace Programme</p> <p>Work with ICT and Civica to identify areas for improvement.</p>						
<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>			
<b>Near Certain</b>	Mod	High	Critical	Critical			
<b>Probable</b>	Mod	High	Critical	Critical			
<b>Possible</b>	Min	Mod xxxxx	High	Critical			
<b>Improbable</b>	Min	Min	Mod	High			
<b>Net Risk</b>	Moderate		<b>Strategy</b>	Treat			
<b>Action Required</b>							

		<b>Ref.</b>	S16	<b>Risk Owner</b>	Head of Pensions	<b>Updated</b>	As G1
<b>Risk</b>	Risk that staff suffer either physical or mental health issues as a result of changing working practices (including potentially prolonged working at home and in isolation).						
<b>Impact</b>	Loss of resource which will lead to a deterioration in service standards, an increase in backlogs and a reduction in performance against disclosure regulations and key performance indicators.						
<b>Controls</b>	<p>Staff with health and wellbeing issues are able to work in the office.</p> <p>The Council has made a counselling service available to all staff on self-referral.</p> <p>Staff are encouraged to come into the office regularly.</p> <p>Risk assessments have been undertaken in line with the Council's approach and actions implemented.</p>						
<b>Impact / Likelihood</b>		<b>Negligible</b>		<b>Marginal</b>		<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>		Mod		High		Critical	Critical
<b>Probable</b>		Mod		High		Critical	Critical
<b>Possible</b>		Min		Mod xxxxx		High	Critical
<b>Improbable</b>		Min		Min		Mod	High
<b>Net Risk</b>	Moderate			<b>Strategy</b>	Treat		
<b>Action Required</b>							

		<b>Ref.</b>	S17	<b>Risk Owner</b>	Head of Pensions	<b>Updated</b>	As G1
<b>Risk</b>	The Fund's AVC service provider is no longer committed to the LGPS market which impacts on the service standard provided.						
<b>Impact</b>	A deterioration in the service provider's standards could impact on the Fund's own service standards which could also impact on the value of members' benefits.						
<b>Controls</b>	Ongoing monitoring of the service provider with at least quarterly meetings and regular engagement outside of those meetings. Issues raised at national and regional groups. Report made to the Pensions Regulator. Consulting the Fund's Investment Advisor on action to take, including a review of the Fund's AVC service provider. A high-level review by the Investment Advisor in November 2021 stated that the current provider remains acceptable at this time. Due diligence completed in relation to current and potential providers and no further action appropriate at this time.						

<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>	Mod	High	Critical	Critical
<b>Probable</b>	Mod	High	Critical	Critical
<b>Possible</b>	Min	Mod xxxxx	High	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	Moderate	<b>Strategy</b>	Treat
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<b>Action Required</b>	Consider tendering exercise in 23/24
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## Risk Management and Internal Audit

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**The following is a list of the background papers (excluding exempt papers) relied upon in the preparation of the above report:**

<b>Background Paper</b>	<b>File Ref:</b>	<b>File Location</b>
Risk Register	n/a	Head of Pensions Office, South Shields Town Hall
Internal Audit Reports	n/a	Head of Pensions Office, South Shields Town Hall