



South Tyneside Council

Local Pension Board

Date: 30th March 2023

Risk Management and Internal Audit (for information and discussion)

Report of the Head of Pensions

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 March 2023 included 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. A Risk Register workshop was undertaken by Pensions Committee and Local Pensions Board members facilitated by Deloitte on 1st March 2023 as part of the Committee & Board Training Event. At the time of writing this report the results and report from the facilitated workshop were not available to the Fund. Once this report is received, we will ensure the recommendations and findings are incorporated where applicable into a future review.
11. The latest review of the Risk Register was undertaken on 3rd March 2023. None of the risks have been assessed as Critical.
12. The most recent review of the Risk Register has seen two changes. These changes are summarised in the table below:

Risk		From	To	Reason
Ref	Title			
A4	There is inadequate monitoring of the performance of the total Fund, individual managers (including Border to Coast), Investment Programmes and custodians. Failure to undertake formal reviews,	Changed nature of risk and increased level of risk Possible / Negligible (Minor)	Probable / Negligible (Moderate)	Part of the Fund’s control mechanism is that it appoints an independent performance and risk measurer. This provider independently measures the performance of the managers and produces total Fund performance

	if required.			numbers. Unfortunately, the Fund's provider has withdrawn from the market. A process is underway to appoint an alternative provider and until this process has concluded and the new provider has bedded in, it is considered appropriate to increase this risk.
S2	The pensions processing software system is not fully updated in a timely manner and poor version control leads to a deterioration in the functionality.	Possible / Marginal (Moderate)	Probable / Marginal (High)	DLUHC have launched a consultation to change the revaluation date of CARE pensions in the LGPS from 1 st to 6 th April. If this change is implemented (as is expected to be the case) then changes will be needed to the software system. It is not expected that the changes in the software will be made before the change in the CARE revaluation date. This will likely result in an increase in work in the short term as manual calculations will be needed. Whilst this increases the likelihood of this risk materialising, we are not increasing the impact as this is considered manageable. The proposed change in the revaluation date will be of benefit to members and will reduce workload later in the year. Overall this change was supported by the Fund.

13. 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:

- S2 High Risk (Likelihood – Probable / Impact – Marginal) - The pensions processing software system is not fully updated in a timely manner and poor version control leads to a deterioration in the functionality.

As you will note from above this risk was increased to take account of the ongoing DLUHC consultation about changing the CARE revaluation date from 1st April to 6th April. The officers have considered this risk in depth and feel that despite there being a real likelihood of the change being implemented, it is highly unlikely that any software changes could be implemented prior to this change. As you will appreciate software changes will require rigorous testing to ensure that even a 'seemingly minor change to a date' won't have a significant or material impact to the rest of the system affecting multiple members and processes. Fund officers have had discussions with our software providers to look at solutions should this implementation be required. We are still considering this. It should be noted that most Administering Authorities will be in a similar situation in relation to this change. We anticipate that the timing of the change and software update will in all likelihood result in an increase in work in the short term as manual calculations will be required and thus the risk materialising. However we are not increasing the impact presently as the Fund considers these additional manual calculations to be manageable with sufficient resource in place. The overall risk rating does increase from Moderate to High. Overall this change proposed by DLUHC was supported by the Fund.

- F5 Moderate Risk (Likelihood – Possible / Impact Marginal) – The Fund is left with a deficit when an employer leaves with inadequate provision for the deficit.

The Fund undertakes an annual employer covenant strength exercise to identify early indicators of employers struggling financially and determine whether additional measures need to be put in place. Deloitte audited our covenant assessment processes in 2022 and gave Substantial assurance. We also ensure all new admissions to the Fund have appropriate bonds or guarantees in place and have processes to ensure the bond cover for employers is checked on an ongoing basis. In addition, the approach taken by the Fund of using an Ongoing Orphan funding approach and setting any deficit recovery periods for employers, as the expected exit date, is designed to ensure that any deficit at the point of exit is minimised.

Even with these controls employers can and do exit the Fund with deficits. Although it should be noted that in the current economic environment, with an increase in gilt yields, which are used as the reference point for discount rates on exiting employers, many employers are now in surplus, which at the current time reduces the risk of an employer leaving with a deficit.

Overall the controls in place reduce both the likelihood of employer leaving with a deficit and also the impact.

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.

2022/23 Audit Programme

15. The audit plan for 2022/23 and an update on each audit is shown in the table below:

Audit Subject	Scope of Work /Update
Governance	<p>This is a high level review of governance arrangements in place at the Fund, including the effectiveness of the Local Pension Board and its interactions with the Pension Committee.</p> <p>This audit was undertaken by Deloitte and a Substantial Assurance score was awarded. This is the highest level of assurance provided by Deloitte.</p> <p>Two recommendations were made and they are shown below.</p>
Risk Management	<p>This involves the facilitation of a risk management workshop with members of the Committee and the Local Pension Board and the production of a report on the outputs from this workshop.</p> <p>Deloitte delivered this workshop at the training event in March 2023. The session was well received overall. At the time of writing, the full report and any accompanying recommendations from the workshop was not available. When this is received it will be considered and where appropriate included in the next risk register review meeting and accompanying report.</p>
Investment Monitoring Review	<p>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.</p> <p>Deloitte has completed this audit and has produced a draft report with a score of Substantial Assurance.</p> <p>Once the audit report is finalised, the recommendations and propose actions will be reported to the Local Pensions Board.</p>
Verification Processes	<p>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.</p> <p>This audit is being undertaken by the internal Audit Team. The fieldwork is well progressed, and a draft report is expected in the near future</p>
Pensions Payroll	<p>To review arrangements in place for processing pensions payroll following activity being taken 'in house' by the Fund.</p>

	This audit is being undertaken by the Internal Audit Team. The fieldwork on this has not yet started.
IT Change Management	<p>Consultancy review to consider arrangements in place for managing changes to IT systems and ensuring these enable compliance with regulatory standards.</p> <p>This audit is being undertaken by the internal Audit Team. The fieldwork is well progressed, and a draft report is expected in the near future</p>
Benefit Awards and Transfers Out	<p>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. To review arrangements in place for managing transfers out from the Fund.</p> <p>This audit is being undertaken by the Internal Audit Team. The fieldwork on this audit is currently being progressed.</p>
Data Quality	<p>To review implementation of the standard approach to data scoring.</p> <p>This audit is being undertaken by the Internal Audit Team. The fieldwork on this audit has not yet started.</p>
Performance Management	<p>To review completeness and accuracy of performance information compiled and reported. This will include assessment against CIPFA guidance where appropriate.</p> <p>This audit is being undertaken by the Internal Audit Team. The fieldwork on this audit is currently being progressed.</p>

16. A summary of the position on nine audits in the programme for 2022/23 is:

- One has been fully completed and signed off.
- Four have had the fieldwork and testing completed and have either had a draft report produced or a draft is expected in the next couple of weeks.
- Two audits are currently in progress and should be completed soon.
- Two are yet to commence.

17. Overall this position is not unusual at this time of year as most of the audit programme is backloaded to the end of the financial year. All audit work is expected to be completed and reported on by the time the annual audit report to the Committee and Local Pension Board is produced in June/July 2023.

18. As noted above the one audit to be completed is the Governance Audit. Substantial Assurance was given – which is the highest level of assurance that

can be achieved. From the audit there were two recommendations made, one medium priority and one low priority. Details of the recommendations and the proposed action is shown in the table below:

Recommendation	Response
<p>(medium)</p> <p>Workforce strategy – we recommend the Fund works to create a formal workforce strategy to ensure it has a robust and sustainable strategy for each of:</p> <ul style="list-style-type: none"> i) Staff hiring – for example implementing a strategy framework considering different recruitment channels such as recruiter channels and local college/university graduate pathways to provide opportunities to young local people; ii) Staff retention – implementing a strategy framework considering flexible-working, salary reviews and clear progression pathways to encourage retention; and iii) Continuity of service – including focus on training, process manuals and task rotation to avoid key person risk or bottlenecks on any individual tasks; to better safeguard and futureproof the Fund’s operations from the adverse impact from the increasing UK labour market challenges (as faced by many funds/organisations) that look likely to persist for the foreseeable future. 	<p>Agreed. The Fund already has an approach to the issues highlighted in the recommendation, however, this approach is less formal than suggested. The Fund will look to formalise and document the approach in a workforce strategy. An action to this effect has been included in the Service Plan for 2023-26.</p>
<p>(Low)</p> <p>Climate reporting focus - Although the Fund has made significant progress, we consider climate reporting continues to be a key focus and fast-moving area of development, and it will therefore be important to continue to take a proactive approach to climate reporting, in particular to engage with i) private markets managers generally; and ii) all managers on scope 3 emissions, to look to obtain improved data coverage, and</p>	<p>Agreed. These issues are already under consideration and are included in Climate Change Roadmap and the Service Plan for 2023-26.</p>

continue to proactively respond to the evolving climate risks and opportunities, and consider any tangible impacts on the investment strategy going forwards.	
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19. The Board will be kept updated as the 2022/23 internal audit programme progresses further.

Recommendation

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

Reason for Recommendation

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

Risk Assessment Methodology

Impact

Impact/Area	Negligible	Marginal	Significant	Substantial
Governance	Little or no impact	Minor short term	Moderate short term	Sustained
Assets	Less than 1% of asset	1-5% of assets	5–15% of assets	Over 15% of assets
Liabilities/ Funding	Minor or no impact on liabilities/ funding level	Low impact on liabilities/ funding level	Significant but recoverable impact	Significant and irrecoverable
Legal	Minor short term	Moderate short term	Serious short term	Serious long term
Service Delivery	Minor short term	Moderate short term	Serious short term	Serious long term
Reputation	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 – 3rd March 2023

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

Changes at this Review

Risk		From	To	Reason
Ref	Title			
A4	There is inadequate monitoring of the performance of the total Fund, individual managers (including Border to Coast), Investment Programmes and custodians. Failure to undertake formal reviews, if required.	<p>Changed nature of risk and increased level of risk</p> <p>Possible / Negligible (Minor)</p>	Probable / Negligible (Moderate)	<p>Part of the Fund's control mechanism is that it appoints an independent performance and risk measurer. This provider independently measures the performance of the managers and produces total Fund performance numbers.</p> <p>Unfortunately, the Fund's provider has withdrawn from the market. A process is underway to appoint an alternative provider and until this process has concluded and the new provider has bedded in, it is considered appropriate to increase this risk.</p>
S2	The pensions processing software system is not fully updated in a timely manner and poor version control leads to a deterioration in the functionality.	Possible / Marginal (Moderate)	Probable / Marginal (High)	<p>DLUHC have launched a consultation to change the revaluation date of CARE pensions in the LGPS from 1st to 6th April. If this change is implemented (as is expected to be the case) then changes will be needed to the software system. It is not expected that the changes in the software will be made before the change in the CARE revaluation date. This will likely result in an increase in work in the short term as manual calculations will be</p>

				<p>needed. Whilst this increases the likelihood of this risk materialising, we are not increasing the impact as this is considered manageable.</p> <p>The proposed change in the revaluation date will be of benefit to members and will reduce workload later in the year. Overall this change was supported by the Fund.</p>
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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 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.
4. 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 etc. This may cause resource issues in responding appropriately to these consultations.
5. 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 three 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.
6. 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.

7. The impact of implementing the McCloud remedy and the introduction of Pensions Dashboards are considered through existing risks in the risk register. It has not been considered necessary to create McCloud specific risks.
8. This risk register does not cover in detail a number of investment related risks, as these are covered in the Investment Strategy Statement, such as illiquidity risk, currency risk and wider geopolitical risks.

Other Notes

9. None.

	Ref.	G1	Risk Owner	Head of Pensions	Updated	06/08/2021
Risk	There may be a lack of knowledge and understanding by the Committee and Local Pension Board.					
Impact	Potential for poor decision making and lack of challenge to officers and advisors.					
Controls	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.					

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

Net Risk	Moderate	Strategy	Treat
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Action Required	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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		Ref.	G2	Risk Owner	Head of Pensions	Updated	As G1
Risk	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).						
Impact	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.						
Controls	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.						

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

Net Risk	Moderate	Strategy	Treat
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Action Required	Review of Border to Coast governance documents being undertaken in 2022-23. Officers involved in process.
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		Ref.	G5	Risk Owner	Head of Pensions	Updated	As G1
Risk	As we continue to move to hybrid working, the Fund may be unable to meet the more significant actions in the Service Plan. This includes but is not limited to the implementation of the Investment Strategy, McCloud and responding to Governance initiatives.						
Impact	Key projects do not progress resulting in service improvements not being delivered.						
Controls	<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 significant actions in the Service Plan which will have the biggest impact.</p>						

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

Net Risk	Moderate	Strategy	Treat
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Action Required	
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		Ref.	R1	Risk Owner	Head of Pensions	Updated	As G1
Risk	Insufficient attention to environmental, social and governance (ESG) issues can lead to reputational damage.						
Impact	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.						
Controls	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. It has also published a Net Zero Roadmap and TCFD Report in 22/23. A number of actions are in the Service Plan and are monitored quarterly						

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

Net Risk	High	Strategy	Treat
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Action Required	Prepare a report on the new Stewardship Code for submission to the FRC by the end of May 23. Website needs to be updated to increase the visibility of the Fund's approach to climate change risk. Develop quarterly monitoring on the progress against the actions in the Net Zero Roadmap.
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		Ref.	A1	Risk Owner	Head of Pensions	Updated	As G1
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.						
Impact	Reduced investment return leading to the potential for higher employer contributions and greater volatility in level of contributions.						
Controls	Valuation assumptions are discussed and agreed with the Actuary. Conservative return assumptions have been used when setting the discount assumption of 4.45% for the 2022 valuation, and circa 4.6% for the Asset Liability Modelling (ALM), which had increased to 5.4% as at 31 st March 2022. The actual return for the period from March 2022 to December 2022 is -3.8% which is below the required long-term returns..						

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

Net Risk	Moderate	Strategy	Treat
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Action Required	Implement the 2022 Investment Strategy review.
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		Ref.	A3	Risk Owner	Head of Pensions	Updated	As G1
Risk	The Fund does not have an appropriate strategic benchmark and an appropriate investment management structure.						
Impact	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.						
Controls	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.						

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

Net Risk	Moderate	Strategy	Treat
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Action Required	Implement the 2022 Investment Strategy review.
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		Ref.	A4	Risk Owner	Principal Investment Manager	Updated	As G1
Risk	There is inadequate monitoring of the performance of the total Fund, individual managers (including Border to Coast), Investment Programmes and custodians. Failure to undertake formal reviews, if required.						
Impact	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.						
Controls	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.						

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

Net Risk	Minor	Strategy	Treat
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Action Required	A review of investment monitoring is included in the 2022 / 2023 Audit programme. Any recommendations made will need to be considered for implementation. The Fund's performance measuring provider has withdrawn from the market. A new provider needs to be appointed.
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		Ref.	A5	Risk Owner	Principal Investment Manager	Updated	As G1
Risk	There is a failure of an investment manager's (including Border to Coast) process that significantly affects the Fund.						
Impact	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.						
Controls	<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>						

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

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

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

Net Risk	Moderate	Strategy	Treat
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Action Required	Monitor the position on MF Global recovery, which stood at 90% to December 2022.
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		Ref.	A7	Risk Owner	Principal Investment Manager	Updated	As G1
Risk	An investment manager is underperforming against its investment mandate.						
Impact	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.						
Controls	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. Where material underperformance is identified, further consideration is given to enhanced monitoring procedures and additional meetings with the managers.						

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

Net Risk	Moderate	Strategy	Treat
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Action Required	Monitor the position with two underperforming mandates with BCCP (Global Equities and UK Equities)
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		Ref.	A8	Risk Owner	Principal Investment Manager	Updated	As G1
Risk	There is an act of fraud and/or a breach of the investment guidelines by an investment manager (including Border to Coast).						
Impact	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.						
Controls	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.						

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

Net Risk	Minor	Strategy	Treat
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Action Required	
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		Ref.	A9	Risk Owner	Head of Pensions	Updated	As G1
Risk	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.						
Impact	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.						
Controls	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. Will start to take income from the BCPP MAC fund in 23/24.						

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

Net Risk	Moderate	Strategy	Treat
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Action Required	Finalise review of the cashflow position based on reduced contribution payments and higher pension payments.
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		Ref.	A10	Risk Owner	Principal Investment Manager	Updated	As G1
Risk	In the short term there is insufficient cash for investment requirements or other commitments, including paying pensions.						
Impact	Possible forced and disorderly realisation of assets to meet commitments if the position cannot be covered by temporary borrowing.						
Controls	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. Ongoing annual review of cashflow position. Latest agreed investment strategy includes a 1% allocation to cash. Move to income producing units with investment managers.						

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

Net Risk	Minor	Strategy	Treat
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Action Required	Finalise the review of the cashflow position based on reduced contribution payments and higher pension payments
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		Ref.	A12	Risk Owner	Principal Investment Manager	Updated	As G1
Risk	The Fund is unable to properly deal with its overseas tax liabilities and meet the requirements of overseas tax authorities.						
Impact	Over or under recovery of tax. Failure to manage filing obligations. Penalties imposed by tax authorities.						
Controls	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. With a move to pooling the responsibility for structuring investments to minimise tax leakage and ensure appropriate filing of returns now largely rests with BCCP.						

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

Net Risk	Minor	Strategy	Treat
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Action Required	<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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		Ref.	A13	Risk Owner	Principal Investment Manager	Updated	As G1
Risk	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).						
Impact	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.						
Controls	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. Decisions taken at November 2022 Pensions Committee to invest in the new emerging markets BCCP. Border to Coast proposals on property, and regional equities are under consideration.						

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

Net Risk	Minor	Strategy	Treat / Tolerate
Action Required			

		Ref.	A15	Risk Owner	Principal Investment Manager	Updated	As G1
Risk	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.						
Impact	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.						
Controls	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. Carbon footprint review undertaken annually. Climate Change Policy and Net Zero Roadmap in place and TCFD report now produced annually.						
Impact / Likelihood	Negligible	Marginal	Significant	Substantial			
Near Certain	Mod	High	Critical	Critical			
Probable	Mod	High	Critical	Critical			
Possible	Min	Mod xxxxx	High	Critical			
Improbable	Min	Min	Mod	High			
Net Risk	Moderate		Strategy	Treat			
Action Required	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 Net Zero Roadmap.						

		Ref.	F1	Risk Owner	Head of Pensions	Updated	As G1
Risk	The funding level worsens or falls below 100%, due to outturn differing from valuation assumptions.						
Impact	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.						
Controls	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						

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

Net Risk	Moderate	Strategy	Treat
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Action Required	.
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		Ref.	F3	Risk Owner	Principal Pensions Manager	Updated	As G1
Risk	Member data and record keeping is of poor quality due to inadequate data flows from an employer or inadequate data cleansing.						
Impact	<p>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.</p> <p>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.</p>						
Controls	<p>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 2022 were 99.8% for common data and 99.3% for scheme specific data. Data improvement plan in place. Engaging with employers and informing Committee and Board.</p>						

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

Net Risk	Minor	Strategy	Treat
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Action Required	Undertake audit review in the year commencing 2022/23 on the approach to data quality assessments.
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		Ref.	F5	Risk Owner	Principal Governance & Funding Manager	Updated	As G1
Risk	The Fund is left with a deficit when an employer leaves with inadequate provision for the deficit.						
Impact	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.						
Controls	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.						

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

Net Risk	Moderate	Strategy	Treat / Transfer
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Action Required	.
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		Ref.	F8	Risk Owner	Principal Pensions Manager	Updated	As G1
Risk	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.						
Impact	Decreased cash flow into the Fund. Fund matures quicker than it would otherwise. Potential for increase in employers' contributions.						
Controls	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.						

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

		Ref.	L1	Risk Owner	Principal Pensions Manager	Updated	As G1
Risk	Failure to apply the Regulations correctly in relation to benefits, especially where changes may be retrospective (eg McCloud).						
Impact	Breach of Regulations. Benefits not paid correctly to members. Risk of adverse publicity. Censure by tPR, IDRPs and Pensions Ombudsman. Risk of financial penalties.						
Controls	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.						

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

Net Risk	High	Strategy	Treat
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Action Required	
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		Ref.	L4	Risk Owner	Principal Pensions Manager	Updated	As G1
Risk	The Fund fails to comply with General Data Protection Regulations or has a data protection breach.						
Impact	Enforcement action, service disruption, costs, adverse publicity.						
Controls	<p>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.</p>						

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

Net Risk	Moderate	Strategy	Treat
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Action Required	Review change controls within the Pensions Admin system.
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No.	xxxx	Ref.	L5	Risk Owner	Principal Pensions Manager	Updated	As G1
Risk	The Fund provides inappropriate or incorrect information and guidance to a member.						
Impact	Inferior service to member. Risk of public censure and financial penalties imposed by regulators. Risk of requirement to pay restitution.						
Controls	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.						

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

Net Risk	Moderate	Strategy	Treat
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Action Required	
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No.	xxxx	Ref.	L6	Risk Owner	Principal Pensions Manager	Updated	As G1
Risk	Failure to manage member related tax correctly.						
Impact	Penalties and interest payments to the fund and members. Members' tax positions may be compromised.						
Controls	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.						

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

Net Risk	Minor	Strategy	Treat
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Action Required	
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No.	xxxx	Ref.	L7	Risk Owner	Principal Pensions Manager	Updated	As G1
Risk	The Fund fails to identify an issue with the health and wellbeing and financial safety of members.						
Impact	A potential or actual issue arises and the appropriate action is not taken. Potential negative publicity.						
Controls	<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>						

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

Net Risk	Minor	Strategy	Treat
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Action Required	Review the Protocol and training to be delivered.
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No.	xxxx	Ref.	L8	Risk Owner	Principal Pensions Manager	Updated	As G1
Risk	A transfer value is incorrectly managed.						
Impact	Potential for fines by Regulator and Ombudsman, tax charges and adverse publicity. Financial loss by member and potential tax liabilities.						
Controls	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.						

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

Net Risk	Minor	Strategy	Treat
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Action Required	Join Pensions Scams Industry Group pledge.
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No.	xxxx	Ref.	S1	Risk Owner	Principal Pensions Manager	Updated	As G1
Risk	Benefits and payments are accessed by individuals who are not entitled to receive them.						
Impact	Financial loss.						
Controls	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.						

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

Net Risk	Moderate	Strategy	Treat
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Action Required	Review overpayments of pension procedure by Investment Team
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No.	xxxx	Ref.	S2	Risk Owner	Principal Pensions Manager	Updated	As G1
Risk	The pensions processing software system is not fully updated in a timely manner and poor version control leads to a deterioration in the functionality.						
Impact	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.						
Controls	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.						

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

Net Risk	Moderate	Strategy	Treat
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Action Required	IT Change Management Audit is included in the 2022/23 Audit Plan Implementing the outcome from the DLUHC consultation on changing the CARE revaluation date.
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No.	xxxx	Ref.	S3	Risk Owner	Principal Pensions Manager	Updated	As G1
Risk	Failure to develop and introduce improved working practices across pensions processing, particularly increased automation and electronic processing and communication.						
Impact	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.						
Controls	<p>Development plans are in place but delayed due to high levels of workload and impact of hybrid working 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.</p> <p>Monitor progress against service plans and continue to report to Committee.</p> <p>The new structure includes 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
Near Certain	Mod	High	Critical	Critical
Probable	Mod	High xxxxx	Critical	Critical
Possible	Min	Mod	High	Critical
Improbable	Min	Min	Mod	High

Net Risk	High	Strategy	Treat
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Action Required	Embed new organisational structure and continue to recruit to vacant posts.
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No.	xxxx	Ref.	S6	Risk Owner	Head of Pensions	Updated	As G1
Risk	Key people leave, and this places a strain on remaining resources to cover the role and responsibilities.						
Impact	Failure to deliver an adequate service. Increased stress and pressure of working.						
Controls	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						

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

Net Risk	High	Strategy	Treat
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Action Required	<p>Embed the new structure.</p> <p>Recruit to the Principal Governance & Funding Manager post.</p>
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No.	xxxx	Ref.	S7	Risk Owner	Principal Pensions Manager	Updated	As G1
Risk	Performance against Disclosure Regulations fails to deliver at an appropriate level.						
Impact	Breach of Regulations. Risk of adverse publicity. Censure by TPR, IDRPs and Pensions Ombudsman. Risk of financial penalties.						
Controls	New structure provides greater focus and responsibility in defined areas. 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. 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. Utilising automation and digitisation wherever possible.						

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

Net Risk	High	Strategy	Treat
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Action Required	<p>Pensions Administration Strategy to be issued for consultation</p> <p>Embed new organisational structure and continue to recruit to vacant posts.</p>
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No.	xxxx	Ref.	S9	Risk Owner	Head of Pensions	Updated	As G1
Risk	Insufficient resources create problems in service delivery.						
Impact	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.						
Controls	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.						

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

Net Risk	High	Strategy	Treat
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Action Required	<p>New approach to recruitment.</p> <p>Embed new organisational structure and continue to recruit to vacant posts.</p> <p>Continue to explore with ICT access protocols to allow third party providers to assist with pensions processing.</p>
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No.	xxxx	Ref.	S10	Risk Owner	Principal Pensions Manager	Updated	As G1
Risk	Failure to fully rectify the members GMP values following the GMP reconciliation process.						
Impact	Potential for payment of pensions without an entitlement. May overpay or underpay pensions increases. Additional liability for the Fund.						
Controls	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.						

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

Net Risk	Moderate	Strategy	Treat
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Action Required	Need to undertake the full reconciliation and rectification.
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No.	xxxx	Ref.	S12	Risk Owner	Head of Pensions	Updated	As G1
Risk	There is a risk of a Cyber Security attack corrupting systems and data and or stealing data. (See also L4 GDPR).						
Impact	There would be a service and reputational impact. Fines could be levied if inappropriate controls are considered to be in place.						
Controls	<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>						

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

Net Risk	High	Strategy	Treat
Action Required	<p>Implement the recommendations from the 2022 Cyber Security Audit. Meeting to be held with ICT to catch up with latest developments and increase knowledge and controls. Deliver Cyber Security Training to Pensions Committee and Local Pension Board.</p>		

No.	xxxx	Ref.	S13	Risk Owner	Principal Pensions Manager	Updated	As G1
Risk	The Fund's electronic web services are not available to either individual members or employers.						
Impact	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.						
Controls	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 Systems 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.						

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

Net Risk	Moderate	Strategy	Treat
Action Required	Review out of hours support.		

		Ref.	S14	Risk Owner	Head of Pensions	Updated	As G1
Risk	Failure to develop and introduce improved working practices as part of move to Modern Workplace programme, leads to a reduction in productivity.						
Impact	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.						
Controls	<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). Staff have returned 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>						

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

Net Risk	Moderate	Strategy	Treat
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Action Required	
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		Ref.	S16	Risk Owner	Head of Pensions	Updated	As G1
Risk	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).						
Impact	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.						
Controls	<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>						

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

Net Risk	Moderate	Strategy	Treat
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Action Required	
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		Ref.	S17	Risk Owner	Head of Pensions	Updated	As G1
Risk	The Fund's AVC service provider is no longer committed to the LGPS market which impacts on the service standard provided.						
Impact	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.						
Controls	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 2022 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.						

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

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

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

Background Paper	File Ref:	File Location
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