



South Tyneside Council

Local Pension Board

Date: 30th March 2022

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 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 September 2018 included two sessions 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 Corporate Assurance 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 Internal Audit Service and Deloitte;
 - 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 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 1st March 2022. None of the risks have been assessed as Critical.
11. The most recent review of the risk register has seen six changes to the risk register.
12. The changes are summarised in the table below:

Risk		From	To	Reason
Ref	Title			
G5	As a result of Covid-19 the Fund may be unable to meet the more significant objectives in the Service Plan.	Improbable / Marginal (Minor)	Possible / Marginal (Moderate)	Evidence that some projects, including McCloud, are progressing more slowly than expected which relate directly to Covid related issues.
R1	Insufficient attention to environmental, social and governance (ESG) issues can lead to reputational damage.	Possible / Marginal (Moderate)	Probable / Marginal (High)	The Fund's focus on Climate Change risks has diverted some resources from other ESG areas, including the preparation of the Stewardship Code. In addition, recent

				amendments to the Public Service Pensions and Judicial Offices Bill are expected to require funds to consider alignment with Government foreign policy as part of their investment decision making. This could be a factor with the current situation between Russia and Ukraine.
S3	Failure to develop and introduce improved working practices across pensions processing, particularly increased automation and electronic processing and communication.	Possible / Marginal (Moderate)	Probable / Marginal (High)	Issues with resourcing means some projects are falling behind schedule. Similar issue to G5 above. The Fund is facing a number of future developments, including McCloud and Pensions Dashboard, which will likely exacerbate the problem.
S9	Insufficient resources create problems in service delivery.	Possible / Marginal (Moderate)	Probable / Marginal (High)	Difficulties in filling temporary posts in the Pensions Admin team are impacting on service delivery, particularly in respect of McCloud.
S13	The Fund's electronic web services are not available to either individual members or employers.	Probable / Marginal (High)	Possible / Marginal (Moderate)	Recent statistics show target standards have been achieved over the last nine months.
S14	Change nature of risk From: There is a reduction in productivity from working from home linked to system availability and response times.	Possible / Marginal (Moderate)	N/A	This risk was introduced as a response to Covid. It now seems appropriate to expand the nature of this risk as a more modern, hybrid, way of working is adopted.

<p>To:</p> <p>Failure to develop and introduce improved working practices as part of move to Modern Workplace programme, leads to a reduction in productivity.</p>			
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13. The 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.

14. For this quarter, the two risks selected are shown below.

- R1 High Risk – Insufficient attention to environmental, social and governance (ESG) issues can lead to reputational damage.

This risk was previously introduced due to the high-profile nature of ESG issues, particularly climate change. It was felt that insufficient attention to this area represented a reputational risk to the Fund, as well as a financial risk.

After much discussion the likelihood of this risk has been increased from possible to probable. There were a number of reasons behind this decision. Our preparations for the Stewardship Code were delayed as priority was given to developing the new Climate Change Policy and Net Zero Carbon targets. This was also compounded by staff vacancies during the year, which have now been filled. In addition to this, recent amendments to the Public Service Pensions and Judicial Offices Bill, namely provisions around funds aligning investment decisions with Government foreign policy, risk creating further complications to ESG issues. This is a very topical factor at present with the current uncertain situation between Russia and Ukraine and the enhanced sanctions from the UK Government. This will require careful monitoring.

- F1 Moderate Risk – The funding level worsens or falls below 100%, due to outturn differing from valuation assumptions.

This was classed as being moderate risk on 1st March, when Russia had very recently invaded Ukraine. Since this time, markets have continued in a downward trajectory. Obviously, this has a negative impact on the funding level for the Fund and its employers. Whilst the Fund is a long-term investor, the current fall in asset values is of concern given the proximity to the 2022 Valuation date (i.e. 31st March).

15. 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; this work is still to be undertaken, but will be reported back to the Board at a future meeting.
16. 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 update

17. A proposed internal audit plan has been discussed between the Head of Pensions, Internal Audit and Deloitte and takes into account risks identified in the Fund's risk register. This plan also covers any areas of work deferred from the 2020/21 audit programme.
18. An overview of the areas identified in the plan and a further update on progress is shown below:
 - Governance – a high level review of the governance structure in place at the Fund, focusing on the overarching governance arrangements as well as looking at how the Fund is positioned in respect of the Good Governance Review and TCFD.

This audit report has been completed and substantial assurance was awarded. A summary of the recommendations is shown below.

- Employers' Covenant – an assessment of the framework in place, ensuring the Fund has clear processes for assessing and categorising employers and notifying Pensions Committee and the Fund Actuary of covenants, ensuring appropriate bonds and guarantees are in place.

At the time of writing, this audit has not yet started although, following discussions with Deloitte, work is expected to start imminently and this should be completed in time for the Annual Internal Audit report to be presented to the Committee and the Local Pension Board in June and July respectively.

- Annual Allowance and Lifetime Allowance – a review of the effectiveness of the Fund's arrangements when calculating and communicating to members their Annual Allowance and Lifetime Allowance.

This work is expected to commence from April 2022 and should be completed in time for the Annual Internal Audit report to be presented to the Committee and the Local Pension Board in June and July respectively.

- Business Continuity Planning – a review of the business continuity plans for completeness ensuring there are adequate arrangements in place in the event of an emergency. The review is to include an assessment of arrangements in response to the Covid-19 pandemic and to undertake a desk top review to ensure they are robust and resilient going forward.

This work is expected to commence from April 2022 and should be completed in time for the Annual Internal Audit report to be presented to the Committee and the Local Pension Board in June and July respectively.

- Benefit Awards – to ensure deferred and ill health benefits are calculated in accordance with legislation.

This audit is complete. 'Full Assurance' given – no recommendations made.

- Cyber Security - a review of the robustness of the Fund's arrangements to protect itself from cyber attacks.

Work on this audit is progressing and should be completed in time for the Annual Internal Audit report to be presented to the Committee and the Local Pension Board in June and July respectively.

- Property Portfolio - a review of the Fund's arrangements to manage the property portfolio including financial control processes and monitoring of services contracted by the Investment Manager on behalf of the Fund.

Work on this audit is progressing and should be completed in time for the Annual Internal Audit report to be presented to the Committee and the Local Pension Board in June and July respectively.

- Performance Management – a self-assessment of the Fund's performance arrangements in line with CIPFA guidance. This audit was deferred from the 2020/21 audit programme.

This audit will be rolled over into the 2022/23 programme when it is anticipated that further CIPFA benchmarking guidance clarity will be known. This will allow for a more effective comparison against our current KPIs.

19. During the last quarter there was one internal audit report received. The details of the assurance level and any recommendations are shown below:

Governance

20. This audit was undertaken by Deloitte, the Council's Internal Audit partner. An award of "Substantial Assurance" was received. This is the highest control rating that Deloitte's use.

21. There were five recommendations, these are as follows:

Recommendation	Response
<p><u>Medium Priority</u></p> <p>Although we recognise the Fund has made significant progress - and is likely ahead of some other Funds on carbon metric and fossil fuel reporting – given the TCFD regulations become mandatory in the next year, we consider climate reporting as a key focus area to further develop and complete the required work for the incoming regulations.</p>	<p><i>The Fund is already taking steps to comply with the requirements of TCFD reporting. The Service Plan for next year will include an action to develop a TCFD report. However, it needs to be recognised that the LGPS is still awaiting regulations from the Department of Levelling Up, Housing and Communities on the exact reporting requirements.</i></p>
<p><u>Low Priority</u></p> <p>Whilst efforts are made to ensure all Committee members can attend, it was observed at the meeting on 30 November 2021 only just over half of members attended, partly due to Covid-19 reasons (i.e. self-isolation and members’ health concerns over in-person meetings). Whilst recognising the benefits (and current legal requirements) of in-person meetings - and that there may be no ‘optimal’ solution during Covid-19 - we recommend the Fund continues to keep under review the set-up of meetings, and respond to developments in the pandemic and changes in ‘Covid rules’ to continually assess the most effective form of meetings (e.g. location, set-up) going forwards to maximise participation and governance by the Committee as a whole.</p>	<p><i>The format and approach to Committee and Local Pension Board meetings is continually under review at the current time. It is important that the meetings comply with the legislation and guidance in place at any time. An assessment of the appropriate approach is taken for each meeting.</i></p>
<p><u>Low Priority</u></p> <p>One aspect that could be further developed is the level of diversity at both a Board and Committee level, as observed from discussion with senior</p>	<p><i>The Fund will consider how it can try and improve diversity on the Committee and the Local Pensions Board.</i></p>

<p>management and attendance on 30 November 2021. We would encourage the Fund to consider how it can try to improve the diversity of the composition of the Committee and the Board as a whole.</p>	
<p><u>Low Priority</u></p> <p>We recommend the Fund extracts and publishes the additional carbon and climate metrics (i.e. relative carbon underweight/overweight data) into the public section of the meeting pack (currently in the private section of the meeting pack) going forwards to provide more regular public communication on the good progress the Fund has been making on climate impact.</p>	<p><i>The Fund will be compiling an annual report on the climate change strategy, climate risk and carbon metrics. This will be in the public part of the Committee agenda. As was the case with the report in November 2021, when the first Climate Change Strategy was agreed. We will look to supplement this annual report with further carbon metrics, including the detail suggested. There may however, be further climate risk data including managers' views on individual companies, which will need to be reported in the private part of the agenda.</i></p>
<p><u>Low Priority</u></p> <p>From a governance perspective, we recommend considering reintroducing a more formal "action list" or "brought forward items" list in order to ensure all previous actions are comprehensively covered and acted on and the Committee discharges its oversight of these.</p>	<p><i>Agreed. We will re-introduce this for the March meeting of the Committee and the April meeting of the Board.</i></p>

2022/23 Audit Programme

22. An initial meeting has taken place in relation to the 2022/23 Internal Audit programme. The following draft audit plan has been provisionally agreed:

Audit Subject	Scope of Work
Governance	High level review of governance arrangements in place for TWPF, including the effectiveness of the Local Pension Board and its interactions with the Pension 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 call 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 Tyne and Wear Pension 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 Tyne and Wear Pension Fund.
Data Quality	To review implementation of 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.

23. The above audit programme remains provisional and there may well be changes to this over the coming weeks. Nonetheless, the Board's views are sought on the provisional programme.

Recommendation

24. The Board is asked for its views on the risk register and the internal audit programme.

Reason for Recommendation

25. 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 – 1 March 2022

Impact / Likelihood	Negligible	Marginal	Significant	Substantial
Near certain	Moderate A7, S1	High S7	Critical	Critical
Probable	Moderate L4, L5, A6, A9	High G1, R1, F8, L1, S3, S6, S9	Critical	Critical
Possible	Minor A4, A5, A8, A12, A13, F3, L6, L7, L8	Moderate G2, G4, G5, A1, A3, A15, F1, F5, F9, S2, S10, S13, S14, S15, S16, S17	High S12	Critical
Improbable	Minor A10	Minor	Moderate	High

Changes at this Review

Risk		From	To	Reason
Ref	Title			
G5	As a result of Covid-19 the Fund may be unable to meet the more significant objectives in the Service Plan.	Improbable / Marginal (Minor)	Possible / Marginal (Moderate)	Evidence that some projects, including McCloud, are progressing more slowly than expected which relate directly to Covid related issues.
R1	Insufficient attention to environmental, social and governance (ESG) issues can lead to reputational damage.	Possible / Marginal (Moderate)	Probable / Marginal (High)	The Fund's focus on Climate Change risks has diverted some resources from other ESG areas, including the preparation of the Stewardship Code. In addition, recent amendments to the Public Service Pensions and Judicial Offices Bill are expected to require funds to consider alignment with Government foreign policy as part of their investment decision making. This could be a factor with the current situation between Russia and Ukraine.
S3	Failure to develop and introduce improved working practices across pensions processing, particularly increased automation and electronic processing and communication.	Possible / Marginal (Moderate)	Probable / Marginal (High)	<p>Issues with resourcing means some projects are falling behind schedule. Similar issue to G5 above.</p> <p>The Fund is facing a number of future developments, including McCloud and Pensions Dashboard, which will likely exacerbate the problem.</p>

S9	Insufficient resources create problems in service delivery.	Possible / Marginal (Moderate)	Probable / Marginal (High)	Difficulties in filling temporary posts in the Pensions Admin team are impacting on service delivery, particularly in respect of McCloud.
S13	The Fund's electronic web services are not available to either individual members or employers.	Probable / Marginal (High)	Possible / Marginal (Moderate)	Recent statistics show target standards have been achieved over the last nine months.
S14	<p>Change nature of risk</p> <p>From:</p> <p>There is a reduction in productivity from working from home linked to system availability and response times.</p> <p>To:</p> <p>Failure to develop and introduce improved working practices as part of move to Modern Workplace programme, leads to a reduction in productivity.</p>	Possible / Marginal (Moderate)	N/A	This risk was introduced as a response to Covid. It now seems appropriate to expand the nature of this risk as a more modern, hybrid, way of working is adopted.

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 has been considered on each of the risks in the Risk Register. This has resulted in a number of changes to the risk register, impacts, controls and actions on these risks.
3. In addition, a number of new Covid-19 related risks have been added to the risk register. Whilst some of these risks may be short term in nature it was considered appropriate to cover Covid-19 in the main risk register rather than create a separate risk register.

Notes on Potential Future Risks

4. The impact of the UK's departure from the European Union, and the implementation of the new trade deal, is being considered through the risks already included in the Risk Register rather than as a separate risk in itself.
5. 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.
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. There are risks in respect of transitioning to a post Covid pandemic society and staff returning to office-based work. Consideration needs to be given to future ways of working. It will be necessary to evolve some of the Covid related risks as the nature of these risks change.
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.

	Ref.	G1	Risk Owner	Pensions Committee	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 recently 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 xxxxx	Critical	Critical
Possible	Min	Mod	High	Critical
Improbable	Min	Min	Mod	High

Net Risk	High	Strategy	Treat
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Action Required	<p>Continue the emphasis on development and delivery of Training Policy and Programme.</p> <p>Review new CIPFA Knowledge and Skills Framework for Committee and Officers and then Committee training self-assessment to be undertaken. Assessment for Board also needed.</p>
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		Ref.	G2	Risk Owner	Head of Pensions	Updated	As G1
Risk	There will be enforced changes to the governance arrangements from proposals to pool investments across the Scheme 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 establishment of 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	Fund needs to actively participate in all pooling related activity. Review of Border to Coast governance documents being undertaken in 2022. Officers involved in process.
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		Ref.	G4	Risk Owner	Head of Pensions	Updated	As G1
Risk	As we transition away from Covid-19 restrictions there are impediments to effective governance arrangements						
Impact	The Fund is unable to consider issues around the effective running of the Fund. As a consequence, it is not possible to take appropriate decisions and implement necessary action.						
Controls	In person meetings have returned. Decisions to be taken on a meeting-by-meeting basis dependant on government and STC guidance as in force at the relevant 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	<p>As part of the move back to physical meetings a review of the interim initiatives adopted under COVID will be undertaken to help decide what should be retained.</p> <p>Review the arrangements after each meeting of Pensions Committee and the Local Pension Board and continuously improve.</p> <p>Monitor legislation on local authority meetings for future changes.</p>
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		Ref.	G5	Risk Owner	Head of Pensions	Updated	As G1
Risk	As a result of Covid-19 the Fund may be unable to meet the more significant objectives in the Service Plan.						
Impact	Key projects do not progress resulting in service improvements not being delivered.						
Controls	There is a quarterly review of the service plan in place. Limited number of staff have returned to the office to help improve operational efficiency.						

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	Priority needs to be given to those objectives in the service plan which will have the biggest impact.
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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. Climate change is recognised as a significant financial risk. The Fund has a policy of requiring managers (including BCPP) to engage on ESG issues rather than disinvest. The Fund requires managers (including BCPP) to consider these issues. Website has been updated to increase the visibility of the funds approach to managing climate change risks.						
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	
Action Required	Enhance the management of ESG issues and climate change, including new potential investment products. Deliver the actions in the service plan on responsible investment and climate change. Monitor position of Government's approach to directing investment strategies via statutory guidance and legislation. Prepare a report on the new Stewardship Code for Committee in 22/23.						

		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 4.3% for the 2019 valuation, and circa 5.0% for the Asset Liability Modelling (ALM). The actual return for the period from March 2019 to December 2021 is 10.7%.						

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	<p>Finalise the implementation of the 2019 strategy review.</p> <p>2022 strategy review progressing, decision expected in September 2022.</p> <p>Monitor the position in Ukraine.</p>
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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. 2019 review of strategy completed and signed off by Committee in September 2019. A quarterly review of tactical positions also takes place. A currency hedge on US assets with L&G was implemented in March 2020. Mini health check on strategy has been undertaken and confirms current approach remains appropriate.						

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	<p>Continue to apply controls. Continue to monitor the position with regards to hedging.</p> <p>Finalise the implementation of the 2019 strategy review.</p> <p>2022 strategy review progressing, decision expected in September 2022.</p> <p>Monitor position on climate change and how it may impact on investment strategy review 2022.</p>
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		Ref.	A4	Risk Owner	Head of Pensions	Updated	As G1
Risk	There is inadequate monitoring of the performance of managers (including Border to Coast) 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	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	Continue to apply existing controls.
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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	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. Assets may need to be moved to passive until Border to Coast pooling arrangements present suitable alternatives. 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.						

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	Work closely with Border to Coast on the development of new investment sub funds. Monitor Border to Coast at a corporate level as well as the investment level.
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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 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	<p>Continue to apply controls.</p> <p>Continue to monitor the position on MF Global recovery, which stood at 90% to September 2021. An ongoing follow up position statement is required. TWPF is expected to receive approximately a full settlement in due course but this is dependent on the decision of the High Court, which is managing the process. A resolution is likely to be a number of years away.</p>
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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.						

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	Continue to apply controls. Continue to monitor underperforming managers. Any issues with managers have been addressed in the most recent strategy review and with the move to pooling.
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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 xxxxxx	Mod	High	Critical
Improbable	Min	Min	Mod	High

Net Risk	Minor	Strategy	Treat
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Action Required	Continue to apply controls.
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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.						

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	Monitor position on active membership. Monitor the impact of cash transfers out.
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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	<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 2020/21 shows that the Fund could move cash flow negative by around £120m. This shortfall can be met from investment income.</p> <p>Latest agreed investment strategy includes a 1% allocation to cash. In addition on a tactical basis it has been agreed that the Fund can hold up to 4% in cash. Move to income producing units with investment managers.</p>						

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	<p>Monitor rental income and deferral arrangements on the back of Covid-19</p> <p>Monitor contribution income on the back of Covid-19 and deal with requests for contribution income deferral.</p>
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		Ref.	A12	Risk Owner	Head of Pensions	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.						

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>Develop 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	Head of Pensions	Updated	As G1
Risk	There will be enforced changes to the investment and governance arrangements from proposals to pool investments across the Scheme which may result in increased costs and impact on net returns. (See also G2).						
Impact	Potential for lower gross and net investment returns, short term transition costs and forced sale of investments at a sub optimal price. In addition the Fund may not be able to fully implement its asset allocation choices with the sub funds available, including the active passive split and the choice of internal v external.						
Controls	Contribute to the Pool's deliberations in this area. Initial advice on transition costs received from Legal and General on behalf of the Pool. Strategy and asset allocation decisions remain at the Fund level. 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. The updated cost benefit analysis presented to Committee in Feb 2022 showed the Fund will benefit from a net reduction in costs and this will grow into the future.						

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	Monitor Border to Coast proposals on property, regional equities and emerging markets equities.		

		Ref.	A15	Risk Owner	Head of Pensions	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. 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.						
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 Service Plan, including climate change.						

		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).						

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	<p>Monitor position and keep employers advised. Aon to provide quarterly funding updates.</p> <p>Need to monitor the position on the remedy on McCloud and potential impacts on the funding level.</p>
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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 which leads to the Actuary adopting a more prudent approach in response to this.						
Impact	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.						
Controls	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 2019 valuation the Actuary has undertaken pre valuation 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.						

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	Engaging with employers and informing Committee and Board. Fully implement the data improvement plan. The Fund will move to a standardised approach for the 2022 scores. Ensure all data is collected for McCloud remedy. We will consider an external data audit in the year commencing 2022/23.
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		Ref.	F5	Risk Owner	Principal Pensions 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 2015/16 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 July 2021. FSS updated on new exit flexibilities.						

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	<p>Monitor position on the status of colleges and universities in the LGPS and advise Committee. Also, monitor USS developments.</p> <p>A review has been undertaken regarding the use of gilts for the exit and ongoing valuations and a report is going to Committee in March 2022. Also, consider the position on more matched investment strategies over and above that for cessation valuations.</p> <p>Audit to be undertaken on approach to monitoring employer covenant.</p>
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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.						

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	Limited ability to manage this area. Continue to apply current approach. Consider membership campaign if agreed to by employers. Monitor the position on consultation on Fair Deal and on colleges and universities. An exercise will be undertaken to establish the take up in relation to the large employers and then consider any action needed. Monitor the potential impact of inflation.			

		Ref.	F9	Risk Owner	Head of Pensions	Updated	As G1
Risk	Contribution rates for some employers become unaffordable as government financial support during the pandemic ends for employers and employers are unable to meet contribution payment deadlines.						
Impact	Employers leave the Fund if they get into financial difficulty and have to close. Appropriate contributions are not paid into the Fund to cover the pensions benefits for members. Financial loss to the Fund 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. If it is that contributions are paid late this may need to be reported to the Pensions Regulator.						
Controls	Monitor the covenant position on employers and maintain a continual dialogue with any employers considered to be at significant risk. Undertake a monthly reconciliation of contribution income received and quickly follow up any late payments. To date all contribution payments have been received.						

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	Continue to monitor the position and apply controls, particularly as Government support packages come to an end.
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		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.						

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	<p>Apply existing controls.</p> <p>Monitor the position on McCloud.</p> <p>Implement the plan for McCloud proposals, including ensuring appropriate resources.</p> <p>Monitor position on Public Sector Exit Payments Cap.</p> <p>Continue to engage with employers with scheme developments and impact on the Fund.</p>
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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	Corporate procedures are followed. In addition pensions service specific controls are applied. Advice is taken from Legal Services as required. Pension Fund works under the general control environment of the Council. Staff reminded of requirements. 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.						

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	Monitor the position on breaches. Due to Covid-19 working practices have changed with increased working from home. Need to remind staff of controls and guidance.
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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.						

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	<p>Continue to apply controls.</p> <p>Continue ongoing review of written communications to ensure that the information guidance offered is in line with regulatory changes.</p> <p>Monitor position on Public Sector Exit Payments Cap.</p>
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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. Latest audit in 2016/17 which provided Substantial Assurance. Increased awareness by staff. Information included in ABS and other member communication. A further audit on Tax allowances was undertaken in 2017/18 and a full assurance was provided. 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	Continue to apply controls. Consider for 2022/23 audit plan.
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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 safeguarding issue arises and the appropriate action is not taken. Potential negative publicity.						
Controls	Revised 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. Due diligence process on pensions transfers covers pension scams. This took account of the changes and awareness campaign of the Pensions Regulator.						

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	<p>Continue to monitor position and promote awareness.</p> <p>A review to take place of the protocol and training to be delivered.</p> <p>Complete review of transfer out procedure to incorporate latest changes to legislation and guidance.</p>
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No.	xxxx	Ref.	L8	Risk Owner	Principal Pensions Manager	Updated	As G1
Risk	A transfer value is incorrectly managed, resulting in a Pensions Scam Fraud.						
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. Deloitte audit in 2015/16 gave Substantial assurance. A review of the transfer procedure has been undertaken and process and policy agreed by the Committee and the Local Pension Board. Improved communications in respect of COVID-19 and enhanced risk.						

Area	Legal
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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	<p>Continue to apply controls.</p> <p>Complete review of transfer out procedure to incorporate latest changes to legislation and guidance. Consider Pensions Scams Industry Group pledge.</p> <p>Monitor the position on claims management companies. This is on the back of guidance from the Regulator. Amend process to reflect electronic working and identify potential scams to the individual.</p>
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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 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	<p>Continue to apply controls.</p> <p>The 2020 NFI exercise has completed and any outstanding cases will be rolled forward to the 2022 NFI exercise.</p> <p>Consider undertaking some mortality screening and identity checks.</p> <p>Review overpayments of pension policy.</p>
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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.						

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	Continue to update and implement development plans. Meetings in hand with Civica and other users. Civica has attended Pensions Committee and may be required to attend further meetings. Monitor the position on cost cap calculations, McCloud, Public Sector Exit Payments Cap and tPR Single Modular Code.
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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	Development plans are in place, but delayed due to high levels of workload. Monitor progress and report to Committee and Board. High level audit review undertaken 16/17 with the conclusion that the fund has robust processes. No significant concerns identified. The option of submitting data in hard copy has been removed where appropriate electronic means are available. Increased resources in the technical team. Monitor progress against service plans and continue to report to Committee. Reviewed and identified priority areas for improvement.						

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	Use consultancy time as required. Complete and implement organisational structure review.
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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.						

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	<p>Continue with training and knowledge and task sharing programmes, as raised through SMT and elsewhere.</p> <p>A review of succession planning to take place in 2021/22. Implement Council's Employee Performance Management process.</p> <p>Hymans produced a report on a structural review. Review and implement (as appropriate) recommendations.</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	Liaison between Client Managers and employers. Reporting back to senior management at employer and to Committee and Board. Pensions Administration Policy in place. Training is available. (Note a strict interpretation is that 100% is required, but this will never be achieved). Implemented new management information.						

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	Keep staffing structure under review and fill posts. Consider and implement (where appropriate) structural review recommendations. Continue to apply controls. Review working practices. Formalise the number of improvement plans into one overriding plan.
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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 home-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.						

Area	Service Delivery
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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	<p>Monitor workload v. capacity v productivity and position re pooling, Covid-19 and, Governance enhancements. As backlogs have reduced a decision has been taken to reduce the reliance on temporary staff in pensions administration. Need to monitor the position to see if backlogs increase.</p> <p>Monitor position on McCloud consultation. May impact on resourcing. May need to increase risk.</p>
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No.	xxxx	Ref.	S10	Risk Owner	Head of Pensions	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.						

Area	Service Delivery
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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	<p>Need to undertake the full reconciliation and rectification.</p> <p>It should be noted the interim solution of full indexation was confirmed as permanent on 23 March 2021. There are still cases where the Fund is not required to pay the full increase or the GMP may be greater. Therefore, the reconciliation exercise has not been abortive as some element of rectification may be required. Currently there is no statutory set deadline for this. Covid-19 is delaying work on this, but it is not considered to be enough to warrant enough to change the risk scoring at this time.</p> <p>Install reconciliation module and rectify records.</p>
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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	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 have applied additional controls over emails received and home working arrangements. STC has provided mandatory e-learning training modules on cyber security.						

Area	Service Delivery
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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	The Council is considering getting Cyber Essentials certification. Continue to remind staff of cyber security risks and to adhere to council policies and guidance. Working with ICT to improve cyber security practices. Action plan to improve cyber security practices to be developed. Review of business continuity plans to be undertaken.		

No.	xxxx	Ref.	S13	Risk Owner	Head of Pensions	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 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.						

Area	Service Delivery
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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	Continue to monitor.		

		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.						
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). More staff are returning to the office to ensure a balanced approach to service delivery.</p> <p>Reviewed database management tools.</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	<p>Participate in the Council's Modern Workplace programme.</p> <p>Continue to work with ICT and Civica to identify areas for improvement. Longer term consider move to web based products.</p>
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		Ref.	S15	Risk Owner	Head of Pensions	Updated	As G1
Risk	Significant loss of staff due to Covid-19.						
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	Apply government and Council guidance.						
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	Monitor the position.						

		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 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	Staff with health and wellbeing issues are able to work in the office. The Council has made a counselling service available to all staff on self-referral. Managers undertake weekly team calls and stay in touch with staff.						
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	Council to complete the risk assessment on home working and the Fund to apply this to all staff. Managers encouraged to maintain contact with staff and identify any potential problems. Monitor council position on staff returning to the office.						

		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 2021 stated that the current provider remains acceptable 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		
Action Required	Keep performance of service provider under review. If necessary, report to the FCA. Decision to be taken on tendering AVC service provider						

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