



South Tyneside Council

Local Pension Board

Date: 7th July 2021

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. The 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 to the Local Pension Board in July. A copy of this report is included on the agenda for this meeting. 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 has to 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 5th May 2021. None of the risks have been assessed as Critical.
11. The most recent review of the risk register has seen five changes to the risk register.
12. The changes are summarised in the table below:

Risk		From	To	Reason
Ref	Title			
A9	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.	Near Certain / Negligible (Low)	Probable / Negligible (Low)	The outcome of the 2019 Valuation was an improved funding position which removed deficit recovery payments from the vast majority of employers. The experience of managing short term cashflow reductions offset by the use of investment income has demonstrated controls for this risk are adequate.

L1	Failure to apply the Regulations correctly in relation to benefits, especially where changes may be retrospective (eg McCloud).	Near Certain/ Marginal (High)	Probable / Marginal (High)	This risk was increased at the last review of the risk register due to the conflict between the exit cap regulations and the LGPS regulations. The revocation of the exit cap regulations removes that conflict.
S15	Significant loss of staff due to Covid-19.	Possible / Marginal (Moderate)	Improbable / Marginal (Minor)	The roll out of the vaccine and lockdown measures have reduced the likelihood of this risk.
G3 / R1	Insufficient attention to environmental, social and governance (ESG) issues can lead to reputational damage.	Governance Risk	Reputational Risk	This risk has been reclassified as a reputational risk rather than a governance risk.

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

This has been reclassified as a reputational risk rather than a governance risk. ESG issues including climate change are the subject of an increasing amount of public attention including media reports and freedom of information requests.

The Fund needs to continue to develop its approach to Responsible Investment and climate change whilst monitoring and responding to statutory guidance and legislation.

There is a report included on the agenda for this meeting setting out the Fund's approach to responsible Investment and progress against a number of related actions in the Service Plan.

- A10 Low Risk – In the short term there is insufficient cash for investment requirements or other commitments, including paying pensions.

This has been assessed as improbable likelihood with negligible impact. There are several controls in place to monitor the risk of this occurring including a weekly review of working capital and the capability to undertake short term borrowing. The Funds cash holdings and liquid investments are other mitigations against this risk.

There was an increased focus on this risk during the height of the Covid-19 pandemic with concerns that rental income and employer contributions may be impacted. Close monitoring of these areas will continue whilst the economy moves out of the pandemic measures such as furlough which have sustained some sectors in the last year.

15. A copy of the full risk register is attached to this report as Appendix B. The Local Board's views on the risk register are requested.

2020/21 Internal Audits

16. As previously reported the audit programme for 2020/21 is as follows:

- Governance – a high level review of the governance structure in place at the Fund, focusing in particular on the continued effectiveness of the Local Pension Board, and its interactions with the Pension Committee. Report issued with a Substantial Assurance rating. This was presented to the Local Pension Board in April 2021.
- Funding Strategy – a review of the approach adopted for the 2019 Valuation and assessed against good practice. This audit will also include a review of the Fund's Investment Strategy Statement, evaluating references to investment strategy against industry good practice and commenting on the reasonableness and transparency within the assumptions made in the Fund's investment strategy. A draft audit report has been issued with provisionally a Substantial Assurance rating. Details of the recommendations from this audit and the management response is shown below.
- Admitted Bodies – a review of the procedures in place for processing Admission Bodies joining and leaving the Fund. A draft audit report is awaiting finalisation with a Full Assurance rating. Details of the recommendations from this audit and the management response is shown below.
- Contributions – a review of the processes and controls in place to ensure contributions and supporting data are remitted accurately, completely and on a timely basis whilst refunds are appropriately controlled. Report issued with a Full Assurance rating. This was presented to the Local Pension Board in April 2021.

- Performance Management – self-assessment of the Fund’s performance arrangements in line with CIPFA guidance. This audit has been deferred into the 2021/22 programme.
- Benefits Awards - a review of the processes and to perform substantive testing of the calculation of Deaths Benefit entitlements to ensure they are calculated in line with guidance and are accurately calculated in line with member records. Report issued with a Full Assurance rating. This was presented to the Local Pension Board in December 2020.
- Risk Management - a review of the Fund’s risk management arrangements and assess the embedding of these against the CIPFA ‘Managing Risk in the Local Government Pension Scheme’ guidance. A final audit report has been issued with a Full Assurance rating. Details of the recommendations from this audit and the management response is shown below.
- Payment Processes - review of the effectiveness and robustness of payment processes and the completeness and accuracy of interfaces and reconciliations. A final audit report has been issued with a Substantial Assurance rating. Details of the recommendations from this audit and the management response is shown below.

17. During the quarter, there were three internal audit reports and one draft Deloitte report received. The details of the assurance level and any recommendations are shown below.

Funding Strategy

18. This review was undertaken by Deloitte and was given a rating of “Substantial Assurance”. This is the highest rating used by Deloitte and is defined as “Mitigations and monitoring activities accord with accepted good practice and are operating to a high standard”.
19. The report contains three medium priority and one low priority recommendations. These recommendations and the management responses are set out below;

Recommendation	Response
<p>Medium Priority</p> <p>Consider whether it would be appropriate for funding calculation approach to allow for intermediate body specific contributions.</p>	<p>Agreed.</p> <p>The approach taken in setting the Intermediate Funding Target is intentionally designed to provide additional prudence given the potential risk posed to the Fund by intermediate employers. Increasing the discount rate</p>

	<p>as suggested reduces the level of prudence. Notwithstanding this concern, we will raise this with the Fund Actuary for review as part of 2022 Valuation preparatory work.</p>
<p>Consider the introduction of alternative investment strategies.</p>	<p>The Funding Strategy Statement allows for employer specific investment strategies, although this is to be instigated by an employer request. Pensions Committee recently approved an employer request for a low risk investment strategy, however, this was not implemented as the employer instead exited the Fund.</p> <p>We believe there is already appropriate provision in place through the Funding Strategy Statement and can be facilitated through unitisation. It is not considered that any further changes are needed at this time.</p>
<p>Consider the impact of RPI reform and whether a non-gilts based measure could be adopted for exit valuations.</p>	<p>The Fund Actuary has recently updated certain assumptions following the announcement on RPI earlier this year. The updated approach is now being applied in exit valuations.</p> <p>In respect of non-gilts based measure for exit valuations, Pensions Committee has already approved such a review and this will soon be commissioned from the Fund Actuary. The findings of the review will be reported to Committee.</p>
<p>Low Priority</p> <p>Review reliance on model calibration between actuarial and investment consultant.</p>	<p>Agreed, this will be reviewed as part of the 2022 valuation preparation.</p>

Admitted Bodies

20. This review was undertaken by the Council’s Internal Audit team and was given a rating of “Full Assurance”, which is the highest assurance level provided by Internal Audit and should therefore be viewed positively.

21. The report contains one low priority recommendation. This recommendation and the response is set out below;

Recommendation	Proposed Response
<p>Low Priority</p> <p>The Governance & Funding Team to ensure the updated Policy and new Employers Guide are promptly issued.</p>	<p>Agreed.</p> <p>New policy documents were adopted by Pensions Committee in March 2021. A new Employer Guide was prepared shortly afterwards for use in the admissions process.</p> <p>Both the new policy documents and the Employer Guide are now in use.</p>

Risk Management

22. This audit was undertaken by the Council’s Internal Audit team and was given a rating of “Full Assurance”. This is the highest control rating that Internal Audit use.
23. There was one Medium and four low priority recommendations made. These are shown in the table below along with the management response.

Recommendation	Response
<p>Medium Priority</p> <p>A review of all policies, reports and documents, currently available on the Fund’s website, to be undertaken to ensure:</p> <ul style="list-style-type: none"> • The most recent and up to date versions are displayed; and • A schedule to update the website with responsibilities given to nominated officer(s). 	<p>Agreed.</p> <p>A schedule of policies on the website has been prepared and will be populated and monitored going forward.</p>
<p>Low Priority</p> <p>To further enhance the control environment, recommendations made by Internal Audit and Deloitte, are to be reviewed on a quarterly basis and progress to be reported to the Pensions</p>	<p>Agreed</p> <p>Progress on audit recommendations will be included in future quarterly risk management and internal audit reports</p>

<p>Committee, ensuring identified risks are implemented timely as agreed by Pensions management.</p>	<p>presented to the Local Pension Board.</p>
<p>To further improve the Fund's governance arrangements, and in accordance with best practice, a Risk Management Policy to be developed and reviewed regularly.</p>	<p>Agreed The Funds Risk Management Policy will be developed as a separate document and reported to the next quarterly Local Pension Board meeting and will be included as part of the annual report to Pensions Committee in early 2022.</p>
<p>Consideration be given to reviewing the format of the risk register, including:</p> <ul style="list-style-type: none"> • risk categories and assigning each risk to the relevant heading; • assigning risks to risk champions; • the merits of adopting a risk score mechanism; <p>It may be beneficial for the Pensions Service to examine other LGPS risk registers and present possible formats to the Pensions Committee and Local Pensions Board to enable an informed decision to be made over any future layout.</p> <p>Any decisions following this review of Risk Management are to be clearly documented in the Pension Committee and/or Local Pension Board meeting minutes to confirm recommendations have been actioned.</p>	<p>Agreed To ensure that the risk register continues to meet its purpose a review of content and formats of the risk register will be undertaken and the views of the Pension Committee and Local Pension Board sought.</p>
<p>Management to provide feedback to the National Knowledge Assessment (NKA) provider on the content and structure of the exercise to ensure future assessments meet the requirements of the Fund.</p>	<p>Agreed Prior to undertaking any future knowledge assessment exercises the Fund will ensure the engagement meets our requirements.</p>

Payment Processes

24. This review was undertaken by the Council’s Internal Audit team and was given a rating of “Substantial Assurance”. This is the second highest rating from the Internal Audit Team and is defined as “There is a sound system of control in place but some of the controls are not consistently applied or fully effective. Control objectives are largely achieved.
25. The report contains two medium priority recommendations. These recommendations and the management responses are set out below;

Recommendation	Response
<p>Medium Priority</p> <p>Comprehensive Procedural Guidance Notes to:</p> <ul style="list-style-type: none"> • be compiled which incorporate the roles of all teams involved in the payment process; • list the specific reports required; • include actions, authorisation and verification checks to validate control totals; • include resolution processes where pensions are returned to the Fund and/or where discrepancies arise; • be issued to all relevant officers within each team and reviewed when changes occur. 	<p>Agreed.</p> <p>Flow chart to be developed tracking all steps in the process from end to end. Colleagues involved in the payment process to be requested to document their specific area of expertise into procedural guidance notes which will be merged into one overarching guidance note and reviewed regularly.</p>
<ul style="list-style-type: none"> • An overall control sheet be established that details all elements of payments and deductions, which is to be signed off as accurate each month. • Reconciliations of monthly pension payments to be performed promptly ensuring variations are resolved within specified timescales. • Clarification to be sought from the external auditor with regards to the 1% threshold for non- 	<p>Agreed</p> <p>This should be possible with the correct reports available from UPM. Reconciliation to be carried out on a monthly basis as soon as the reports are available on UPM and Oracle by the 16th. As it is possible to reconcile with correct reporting, all discrepancies can be</p>

<p>reconciliation, and if accepted it is to be formalised and documented.</p>	<p>identified, however due to the nature may not be resolved at that time. Investment Manager to liaise with external auditors on policy.</p>
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2021/22 Audit Programme

26. 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.
27. An overview of the areas identified in the plan are as follows:
- Governance – a high level review of the governance structure in place at the Fund, focusing in particular on the continued effectiveness of the Local Pension Board, and its interactions with the Pension Committee.
 - Employers Covenant – an assessment of the framework in place, ensuring the Fund has clear processes for assessing and categorising employers and notifying the Pensions Committee and Scheme Actuary of covenants, ensuring appropriate bonds and guarantees are in place.
 - 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.
 - 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.
 - Benefit Awards – to ensure deferred and ill health benefits are calculated in line with legislation.
 - Cyber Security - a review of the robustness of the Pension Fund's arrangements to protect itself from cyber attacks.
 - 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.
 - 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.

Recommendation

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

Reason for Recommendation

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

Appendix A

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 – 5th May 2021

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

Changes at this Review

Risk		From	To	Reason
Ref	Title			
A9	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.	Near Certain / Negligible (Low)	Probable / Negligible (Low)	The outcome of the 2019 Valuation was an improved funding position which removed deficit recovery payments from the vast majority of employers. The experience of managing short term cashflow reductions offset by the use of investment income has demonstrated controls for this risk are adequate.
L1	Failure to apply the Regulations correctly in relation to benefits, especially where changes may be retrospective (eg McCloud)	Near Certain/ Marginal (High)	Probable / Marginal (High)	This risk was increased at the last review of the risk register due to the conflict between the exit cap regulations and the LGPS regulations. The revocation of the exit cap regulations removes that conflict.
S15	Significant loss of staff due to Covid-19.	Possible / Marginal (Moderate)	Improbable / Marginal (Minor)	The roll out of the vaccine and lockdown measures have reduced the likelihood of this risk.
G3 / R1	Insufficient attention to environmental, social and governance (ESG) issues can lead to reputational damage.	Governance Risk	Reputational Risk	This risk has been reclassified as a reputational risk rather than a governance risk.

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, will be considered through the risks already included in the Risk Register rather than as a separate risk in itself.
5. The move to greater electronic communication with employers and members may give rise to additional risks. A wider review of this is to be undertaken which will then inform the risk register.
6. 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.
7. 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.
8. There are a number of risks that relate to investment pooling. In particular risk 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 on an investment manager process will also impact. As more assets transfer over a holistic review of the risk from pooling will need to be undertaken.
9. We are now in the process of tendering for a Pensions Administration Software contract. The proposal to retain the existing supplier will reduce the scale of potential risks. The position will be monitored for the next few months and this comment removed following the next review of the risk register.

10. 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 is likely that at least one new risk will be added next quarter to the register to cover the management of staff coming back into the office more frequently. It may also be necessary to evolve some of the Covid related risks as the nature of these risks change.
11. There are concerns over the AVC provider service provision which may lead to a new risk at the next review of the register. The service plan includes a full review of the AVC provider in 2021/22.

Other Notes

12. None.

	Ref.	G1	Risk Owner	Pensions Committee	Updated	10/02/2021
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.					

Impact / Likelihood	Negligible	Marginal	Significant	Substantial
Near Certain	Mod	High	Critical	Critical
Probable	Mod	High xxxxx	Critical	Critical
Possible	Min	Mod xxxxx	High	Critical
Improbable	Min	Min	Mod	High
Net Risk	High		Strategy	Treat
Action Required	Continue the emphasis on development and delivery of Training Policy and Programme. Training delivered via Zoom throughout 2020/21. Consideration to be given to September 2021 training in due course. Induction training for new Committee and Board members in the Spring. Another Committee training self-assessment will be undertaken in Autumn 2021.			

		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	Take forward the Committee's decision on pooling, and continue to keep Committee informed of developments. Contribute to the Pool's deliberations in this area. Officers to take an active part in all working groups at Border to Coast on each sub fund in which the Fund will invest. Liaise with Investment Advisor on these sub funds.
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		Ref.	G4	Risk Owner	Head of Pensions	Updated	As G1
Risk	As a consequence of Covid-19 and the need for social distancing, effective governance arrangements are not in place and appropriate decisions are not taken.						
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	The Fund has held meetings of the Pensions Committee, Local Pension Board and Investment Panel by video conference during the COVID pandemic but now needs to move to meetings in person. Self-assessment in February 2021 undertaken around arrangements taken place post COVID. Planning for socially distanced meetings in June has already been undertaken.						

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 initiatives adopted under COVID will be undertaken.</p> <p>There is a desire to keep a shorter Agenda</p> <p>Review the arrangements after each meeting of Pensions Committee and the Local Pension Board and continuously improve.</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		Critical	Critical
Possible		Min		Mod xxxxx		High	Critical
Improbable		Min		Min		Mod	High
Net Risk		Moderate		Strategy		Treat	
Action Required	Enhance the management of ESG issues and climate change, including new potential investment products. Work with Border to Coast on approach to Responsible Investment. 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.						

		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	<p>Valuation assumptions are discussed and agreed with the Actuary. Conservative return assumptions have been used when setting the discount assumption of 4.3% for the 2019 valuation, and circa 5.0% for the Asset Liability Modelling (ALM). The actual return for the period from March 2019 to March 2021 is 8.8%.</p> <p>A decision has been taken by the Committee to de-risk the investment strategy, taking 15% out of growth assets and moving 10% to income assets and 5% to protection assets.</p>						

Impact / Likelihood	Negligible	Marginal	Significant	Substantial
Near Certain	Mod	High	Critical	Critical
Probable	Mod	High xxxxx	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 agreed de-risking strategy. Monitor the position in light of COVID-19.
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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	Continue to apply controls. Continue to monitor the position with regards to hedging. Consider potential inflation risk mismatch between funding strategy and investment strategy. Implement the agreed de-risking strategy. Continue to monitor position in light of COVID-19.
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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 xxxxx	Mod	High	Critical
Improbable	Min	Min	Mod	High

Net Risk	Minor	Strategy	Treat
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Action Required	Continue to apply existing controls. Continually review the approach to manager monitoring under the Covid-19 restrictions.
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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 June 2020. 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. 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 in 2020/21 shows that the Fund has moved cash flow negative by around £120m (based on contribution income v pension payments). However, this shortfall is more than covered by investment income. Moved L&G investments and BCPP IGC to income producing units.						

Impact / Likelihood	Negligible	Marginal	Significant	Substantial
Near Certain	Mod xxxxx	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>Monitor position on active membership.</p> <p>Assess the fund level cash flow for 2021/22 and the impact of potentially increasing Private Markets programme as part of ongoing monitoring process.</p> <p>Monitor the impact of cash transfers out.</p> <p>Consider reducing the risk once we have a full year of lower employer contribution income and income investments.</p>
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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 xxxxx	Mod	High	Critical
Improbable	Min xxxxx	Min	Mod	High
Net Risk	Minor		Strategy	Treat
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> <p>Assess and monitor the impact of employers furloughing staff and the knock on impact contribution income.</p>			

		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 carried out audit work in 2015/16 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. It is understood BCPP has commissioned a report on this.</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 latest cost benefit analysis shows that in 2020/21 the Fund should be in a net savings position from pooling. Reviewed cost/benefit analysis following merger with NCCPF.						
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 / Tolerate	
Action Required	Take forward the Committee's decision on pooling and continue to keep Committee informed of developments. Contribute to the Pool's deliberations in this area and work with Border to Coast to ensure a robust transition process is followed. Liaise with Investment Advisor on the potential investment sub funds in the pool. Monitor Border to Coast proposals on property.						

		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. Pensions Committee training events include sessions on climate change. Fund has invested in the L&G Future World Fund which will improve the approach to passive ESG issues.						
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. Report to Committee on the impact of Covid-19 and high carbon stocks and how this will affect the future world funds. Deliver against the actions in the Service Plan against 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>Consider the need to review the FSS.</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 2020 were 100% for common data and 98% 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 xxxxx		Mod		High	Critical
Improbable		Min		Min		Mod	High
Net Risk		Minor		Strategy		Treat	
Action Required	Engaging with employers and informing Committee and Board. Fully implement the data improvement plan. The Fund will also need to review its approach to the data scoring on completion of the new pensions software contract. We will consider an external data audit in the year commencing 2022/23.						

		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 to be provided by Northumberland in respect of certain admitted bodies who previously participated in NCCPF.						
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	
Action Required	<p>Monitor position on the status of colleges and universities in the LGPS. A report to be taken back to Committee once the outcome of this is known. Monitor position of developments in the USS and the impact this may have upon the universities.</p> <p>A commitment has been given to review the option of using gilts for the exit and ongoing valuations. Also, consider the position on more matched investment strategies over and above that for cessation valuations.</p> <p>Legal agreements to be put in place for guarantees from Northumberland County Council. Complete covenant review of employers in respect of bond / guarantee protection.</p> <p>Amend FSS and adopt policy on new exit flexibilities.</p>						

		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 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 Covid-19.			

		Ref.	F9	Risk Owner	Head of Pensions	Updated	As G1
Risk	Contribution rates for some employers become unaffordable due to business interruption on the back of Covid-19 restrictions 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 xxxxx	Critical	Critical
Possible	Min	Mod	High	Critical
Improbable	Min	Min	Mod	High

Net Risk	High	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 MHCLG. 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 xxxx	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. Develop a plan to prepare 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 in 2020-21.						
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	
Action Required	<p>Monitor the position on breaches. Report to the Local Pension Board and Senior Management team. Review LGA data retention guidance. Due to Covid-19 working practices have changed with increased working from home. Need to remind staff of controls and guidance.</p> <p>Ensure all staff have undertaken latest STC e-learning module.</p>						

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 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	<p>Continue to apply controls.</p> <p>Undertake a review of written communication 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 approach 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.
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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	Continue to monitor position and promote awareness. A review to take place of 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, resulting in a Pensions Liberation Fraud.						
Impact	Potential for fines by Regulator and Ombudsman, tax charges and adverse publicity.						
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 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. Monitor position on pension freedoms.</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 2018 NFI exercise has completed and any outstanding cases will be rolled forward to the 2020 NFI exercise which is now underway.</p> <p>Consider undertaking some mortality screening and identity checks.</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	Development of CARE largely complete. Ongoing monitoring of the performance of Civica through the use of Change Request Forms, participation in the user group and client manager meetings. Take a risk based approach to implementation to new versions of the system. Testing following the release of new versions of the software.						

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 and McCloud. Monitor position on Public Sector Exit Payments Cap.
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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 in the short term on the back of Covid-19.						

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 xxxxx	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, IDRP 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 and Merger expected in the short term, which may impact more on staff time. In addition, the current problems with Covid-19 are 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			
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 workload v. capacity v productivity and position re pooling, Covid-19 and, Governance enhancements.</p> <p>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. Note temp staff have been reduced but not as much as initially intended due to Covid-19.</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			
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	<p>Need to undertake the full reconciliation and rectification thereafter.</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. The position is under review and the risk may need to be increased.</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 is providing e-learning training modules on cyber security.						

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. All staff to undertake STC cyber security e-learning modules. Working with ICT to improve cyber security practices. Action plan to improve cyber security practices to be developed.		

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 on line. 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 xxxxx	Critical	Critical
Possible	Min	Mod	High	Critical
Improbable	Min	Min	Mod	High

Net Risk	High	Strategy	Treat
Action Required	Continue to monitor. Meetings in place with Civica and ICT to review robustness of current controls. Actions identified will be implemented to reduce risk in future. Monitor the recently developed KPIs on system availability.		

		Ref.	S14	Risk Owner	Head of Pensions	Updated	As G1
Risk	There is a reduction in productivity from working from home linked to system availability and response times.						
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	The Council has significantly increased the bandwidth for employees working from home and remotely accessing the Council's systems. A review of processes has been undertaken to streamline operations where possible to make remote working more efficient (for example the uploading of certificates). A limited number of staff have now returned to the office to improve efficiency. Reviewed database management tools.						

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>Where consistent with Government guidelines and where social distancing can be applied to maintain operational safety, increase the number of staff working from the office. Ensure less efficient processes are being undertaken by those staff in the office.</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	<p>Majority of staff working from home.</p> <p>Apply government guidance and social distancing rules for any staff in the office.</p> <p>Testing arrangements are in place for staff in pensions. Risk assessments undertaken in relation to staff working in the office.</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 xxxxx	Mod	High

Net Risk	Minor	Strategy	Treat
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Action Required	<p>Encourage staff to apply government guidance at work and at home.</p> <p>Make the use of the testing arrangements for staff showing symptoms.</p>
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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 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	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. Limited number of staff have returned to the office. Health and wellbeing were considerations in this process.						

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>Council to complete the risk assessment on home working and the Fund to apply this to all staff.</p> <p>Managers encouraged to maintain contact with staff and identify any potential problems.</p>
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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