



# South Tyneside Council

## Local Pension Board

Date: 1<sup>st</sup> April 2021

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

Report of the Head of Pensions

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### **Purpose of Report**

1. This report contains the current Fund level risk register and 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. 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 10<sup>th</sup> February 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			
G1	There may be a lack of knowledge and understanding by the Committee and Local Pension Board.	Possible / Marginal (Moderate)	Probable / Moderate (High)	<p>The risk is enhanced at this time as we approach the end of the Committee and Board Terms.</p> <p>It is expected that several experienced members of the Committee and the Board will be standing down which means there is a risk of loss of knowledge and understanding at least in the short term.</p>

A1	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.	Probable / Marginal (High)	Possible / Marginal (Moderate)	<p>This risk had previously been increased due to poor market performance in early 2020 as a result of the COVID pandemic. The fall in asset values resulted in a notable fall in the funding level.</p> <p>Markets have bounced back in mid-late 2020 and, more recently, asset returns have been very strong. As a result of this, the funding level has improved to pre-COVID levels.</p>
A10	In the short term there is insufficient cash for investment requirements or other commitments, including paying pensions.	Possible / Negligible (Minor)	Improbable / Negligible (Minor)	For tactical reasons, the Fund currently has a relatively high cash holding. This means this risk is reduced at this time.
L1	Failure to apply the Regulations correctly in relation to benefits, especially where changes may be retrospective (eg McCloud).	Probable / Marginal (High)	Near Certain/ Marginal (High)	The conflict between the Exit Cap Regulations and the LGPS Regulations means the Fund will fail to comply with one set of Regulations when paying benefits in qualifying cases.
S6	Key people leave, and this places a strain on remaining resources to cover the role and responsibilities.	Near Certain/ Marginal (High)	Probable / Marginal (High)	This risk was previously increased due to the departure of the Principal Investment Manager. The position has now been filled and the risk is now being lowered as a result.

13. The usual practice of the Local Pension Board is to review two risks in more depth at each quarterly meeting. The two risks selected this quarter are:

- G1 High Risk - There may be a lack of knowledge and understanding by the Committee and Local Pension Board.

This has been increased from a moderate risk as we approach the end of the Committee and Board terms. It is expected that several experienced members of the Committee and the Board will be standing down which means there is a risk of loss of knowledge and understanding at least in the short term.

- L1 High Risk – Failure to apply the Regulations correctly in relation to benefits, especially where changes may be retrospective (eg McCloud).

This has been increased from a probable to near certain likelihood due to the conflict between the Exit Cap Regulations and the LGPS Regulations meaning the Fund would fail to comply with one set of Regulations when paying benefits in qualifying cases.

Subsequent to the evaluation of the risk register on 12 February 2021, the Government issued the Exit Payment Cap Directions 2021 which disapply parts of the Restriction of Public Sector Exit Payments Regulation 2020 with immediate effect. This means that from 12 February 2021 exit payments should be in accordance with the LGPS Regulations. An evaluation of all exits between 4 November 2020 and 12 February 2021 is required to ensure that the LGPS Regulations have been applied, recalculating benefits where necessary.

14. 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**

15. 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. The outcome of this review is shown below.
- 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 report on this subject is expected in April 2021.

- Admitted Bodies – a review of the procedures in place for processing Admission Bodies joining and leaving the Fund. This audit is in progress with a report expected in early 2021.
  - 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. This audit is complete and the outcome is noted below.
  - Performance Management – self-assessment of the Fund’s performance arrangements in line with CIPFA guidance. This audit is in progress with a report expected in late March or early April 2021.
  - 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. This audit is in progress with a report expected in April 2021.
  - Payment Processes - review of the effectiveness and robustness of payment processes and the completeness and accuracy of interfaces and reconciliations. This audit will commence shortly with a report expected in April 2021.
16. During the quarter, there was two internal audit report received. The details of the assurance level and any recommendations are shown below.

#### Governance Review

17. This review was undertaken by Deloitte and was given a rating of “Substantial Assurance”, which is the highest assurance level provided by Deloitte and should therefore be viewed positively.
18. The report contains two recommendations. One was a medium priority and the other was a low priority. These recommendations and the response to each is set out below;

Recommendation	Proposed Response
<p>Medium Priority</p> <p>We believe the Taskforce on Climate-Related Financial Disclosures (TCFD) and climate change target setting objectives will become an increasingly important area ahead of the disclosures potentially coming in in 2022. The Fund has made good progress thus far. However, we recommend that this is a priority area of focus to take the next stages to develop in terms of understanding what ESG metrics are available, what targets could be set, and what scenario analysis could be conducted over the coming year in 2021, and how the actual investment strategy can be further evolved to align with the Fund's recently set ESG policies.</p>	<p>Agreed.</p> <p>The Fund welcomes the comment that it is making good progress in this area but accepts there is a lot more to do.</p> <p>The Committee has already considered this issue at its meeting in November 2020 and has agreed the following actions to be included in the 2021-24 service plan:</p> <ul style="list-style-type: none"> <li>- The development of a stand-alone Climate Change Policy</li> <li>- The measurement of transition risk and the implications of setting targets, including the potential to set a zero carbon target.</li> <li>- Assessing the role of private markets in managing climate risk</li> <li>- Implications of an exclusion policy if engagement is not working</li> </ul>
<p>We recommend that – whilst still holding three-year terms - the different appointments could be set out on a more “staggered” basis in order to mitigate the risk under the current system that there could be a mass turnover/loss of experienced Board members at any one time.</p>	<p>Whilst accepting that the recommendation has merit, the Fund's approach to seeking nominations and making appointments every three years has worked well to date and provides great stability. The position was considered as part of the recent review of the local Pensions Board Governance but not taken forward. The position will continue to be monitored.</p>

### Pension Contributions

19. 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.
20. There was one low priority recommendation made. This is shown in the table below along with the management response.

Recommendation	Response
<p>Low Priority</p> <p>Pensions Team to remind employers that PEN99 authorised signatory forms must be updated following any changes in staffing and forwarded to the Pensions Team for their records.</p>	<p>Email to be circulated to all employers and repeated on an annual basis. Clear instructions to be included in the employers' guide and pack for new employers joining the Fund and training events.</p> <p>Team Managers to raise in their regular client meetings with employers.</p>

**Recommendation**

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

**Reason for Recommendation**

22. 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
<b>Governance</b>	Little or no impact	Minor short term	Moderate short term	Sustained
<b>Assets</b>	Less than 1% of asset	1-5% of assets	5–15% of assets	Over 15% of assets
<b>Liabilities/ Funding</b>	Minor or no impact on liabilities/ funding level	Low impact on liabilities/ funding level	Significant but recoverable impact	Significant and irrecoverable
<b>Legal</b>	Minor short term	Moderate short term	Serious short term	Serious long term
<b>Service Delivery</b>	Minor short term	Moderate short term	Serious short term	Serious long term
<b>Reputation</b>	Minor short term	Moderate short term	Serious short term	Serious long term

## Likelihood

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

**Appendix B**

**Risk Register**

**Review – 10<sup>th</sup> February 2021**

<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
<b>Near certain</b>	Moderate A7, A9, S1	High L1, S7	Critical	Critical
<b>Probable</b>	Moderate L4, L5, A6	High G1, F8, F9, S3, S6, S13, S14	Critical	Critical
<b>Possible</b>	Minor A4, A5, A8, A12, A13, F3, L6, L7, L8	Moderate G2, G3, G4, G5, A1, A3, A15, F1, F5, S2, S9, S10, S15, S16	High S12	Critical
<b>Improbable</b>	Minor A10	Minor	Moderate	High

### Changes at this Review

Risk		From	To	Reason
Ref	Title			
G1	There may be a lack of knowledge and understanding by the Committee and Local Pension Board.	Possible / Marginal (Moderate)	Probable / Moderate (High)	<p>The risk is enhanced at this time as we approach the end of the Committee and Board Terms.</p> <p>It is expected that several experienced members of the Committee and Board will be standing down which means there is a risk of loss of knowledge and understanding at least in the short term.</p>
A1	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.	Probable / Marginal (High)	Possible / Marginal (Moderate)	<p>This risk had previously been increased due to poor market performance in early 2020 as a result of the COVID pandemic. The fall in asset values resulted in a notable fall in the funding level.</p> <p>Markets have bounced back in mid-late 2020 and, more recently, asset returns have been very strong. As a result of this, the funding level has improved to pre-COVID levels.</p>
A10	In the short term there is insufficient cash for investment requirements or other commitments, including paying pensions.	Possible / Negligible (Minor)	Improbable / Negligible (Minor)	For tactical reasons, the Fund currently has a relatively high cash holding. This means this risk is reduced at

				this time.
L1	Failure to apply the Regulations correctly in relation to benefits, especially where changes may be retrospective (eg McCloud)	Probable / Marginal (High)	Near Certain/ Marginal (High)	The conflict between the Exit Cap Regulations and the LGPS Regulations means the Fund will fail to comply with one set of Regulations when paying benefits in qualifying cases.
S6	Key people leave, and this places a strain on remaining resources to cover the role and responsibilities.	Near Certain/ Marginal (High)	Probable / Marginal (High)	This risk was previously increased due to the departure of the Principal Investment Manager. The position has now been filled and the risk is now being lowered as a result.

### 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 Phase I and Phase II report. In addition, the Pensions Regulator has undertaken a review of 10 LGPS Funds and has identified a number of recommendations. Following an initial review of these reports it does not suggest any significant issues which should be of concerns for the Fund. This position will be monitored. 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. 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.
7. 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.
8. We are now in the process of tendering for a Pensions Administration Software contract. The position will be reviewed after the tender exercise has completed.
9. 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.

**Other Notes**

10. None.

	<b>Ref.</b>	G1	<b>Risk Owner</b>	Pensions Committee	<b>Updated</b>	10/02/2021
<b>Risk</b>	There may be a lack of knowledge and understanding by the Committee and Local Pension Board.					
<b>Impact</b>	Potential for poor decision making and lack of challenge to officers and advisors.					
<b>Controls</b>	Training Policy and Programme in place based on CIPFA Code of Practice and Knowledge and Skills Frameworks for Pensions Committees and Local Pension Boards. Diverse skills base amongst Members. Size of Committee provides protection against turnover. Annual Committee self assessment of skills base and review of governance structure. Availability of advisors and officers. Local Pension Board strengthens governance structure. A joint training policy has been agreed by the Committee and the Local Pensions Board. The Committee and the Board in 2018/19 scored themselves against the CIPFA KSF and this will be used to inform the training programme. Induction training delivered to new members. Many Committee and Board members have recently undertaken the Hymans National Knowledge Assessment which identified areas of training need which will help inform training programme going forward.					

<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>	Mod	High	Critical	Critical
<b>Probable</b>	Mod	High xxxxx	Critical	Critical
<b>Possible</b>	Min	Mod xxxxx	High	Critical
<b>Improbable</b>	Min	Min	Mod	High
<b>Net Risk</b>	High		<b>Strategy</b>	Treat
<b>Action Required</b>	Continue the emphasis on development and delivery of Training Policy and Programme. Training delivered via Zoom in September and October 2020. Additional sessions in November and December. Consideration to be given to February 2021 training in due course. Induction training for new Committee and Board members in the Spring.			

		<b>Ref.</b>	G2	<b>Risk Owner</b>	Head of Pensions	<b>Updated</b>	As G1
<b>Risk</b>	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).						
<b>Impact</b>	Potential for the Fund not being able to fully implement its Investment Strategy. May need to compromise on what is in the best interests of the Fund. Material short term governance burden as new arrangements are researched and put into place.						
<b>Controls</b>	Actively participate in the 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.						

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

<b>Net Risk</b>	Moderate	<b>Strategy</b>	Treat
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<b>Action Required</b>	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.	G3	Risk Owner	Head of Pensions	Updated	As G1
<b>Risk</b>	Insufficient attention to environmental, social and governance (ESG) issues can lead to reputational damage.						
<b>Impact</b>	The Fund receives criticism for not fully observing and embracing this matter from scheme members and in the press. The Fund also needs to be aware of the statutory guidance in this respect which requires the Fund to make the pursuit of financial return its predominant concern. ESG factors can and should be taken into account but only if doing so would not involve significant risk of financial detriment to the scheme and believe that scheme members would support the decision.						
<b>Controls</b>	The Fund's Investment Strategy Statement and Corporate Governance Policy cover the extent to which social, environmental and governance considerations are taken into account in the selection, retention and realisation of investments. Member of the LAPFF. 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.						
<b>Impact / Likelihood</b>		<b>Negligible</b>		<b>Marginal</b>		<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>		Mod		High		Critical	Critical
<b>Probable</b>		Mod		High		Critical	Critical
<b>Possible</b>		Min		Mod xxxxx		High	Critical
<b>Improbable</b>		Min		Min		Mod	High
<b>Net Risk</b>		Moderate		<b>Strategy</b>		Treat	
<b>Action Required</b>	<p>Enhance the management of ESG issues and climate change, including new potential investment products Work with Border to Coast on approach to Responsible Investment.</p> <p>Monitor position of Government's approach to directing investment strategies via statutory guidance and legislation.</p>						



		<b>Ref.</b>	G4	<b>Risk Owner</b>	Head of Pensions	<b>Updated</b>	As G1
<b>Risk</b>	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.						
<b>Impact</b>	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.						
<b>Controls</b>	The Government has introduced new legislation to allow decisions to be taken at meetings that take place by video conferencing. The Fund has held meetings of the Pensions Committee, Local Pension Board and Investment Panel by video conference. As part of the move to video meetings a review of the agenda has taken place to ensure only key items are considered. In addition a review has been undertaken of the constitution and arrangements are in place for the Head of Pensions to take decisions under delegated powers.						
<b>Impact / Likelihood</b>		<b>Negligible</b>		<b>Marginal</b>		<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>		Mod		High		Critical	Critical
<b>Probable</b>		Mod		High		Critical	Critical
<b>Possible</b>		Min		Mod xxxxx		High	Critical
<b>Improbable</b>		Min		Min		Mod	High
<b>Net Risk</b>		Moderate		<b>Strategy</b>		Treat	
<b>Action Required</b>	Review the arrangements after each meeting of Pensions Committee and the Local Pension Board and continuously improve.						

		<b>Ref.</b>	G5	<b>Risk Owner</b>	Head of Pensions	<b>Updated</b>	As G1
<b>Risk</b>	As a result of Covid-19 the Fund may be unable to meet the more significant objectives in the Service Plan.						
<b>Impact</b>	Key projects do not progress resulting in service improvements not being delivered.						
<b>Controls</b>	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.						
<b>Impact / Likelihood</b>	<b>Negligible</b>		<b>Marginal</b>		<b>Significant</b>		<b>Substantial</b>
<b>Near Certain</b>	Mod		High		Critical		Critical
<b>Probable</b>	Mod		High		Critical		Critical
<b>Possible</b>	Min		Mod xxxxx		High		Critical
<b>Improbable</b>	Min		Min		Mod		High
<b>Net Risk</b>	Moderate			<b>Strategy</b>		Treat	
<b>Action Required</b>	Priority needs to be given to those objectives in the service plan which will have the biggest impact. A review of this is currently underway.						

		Ref.	A1	Risk Owner	Head of Pensions	Updated	As G1
<b>Risk</b>	The funding level worsens or falls below 100% due to investment returns being below the levels assumed in the triennial valuations, i.e. relative return to discount rate.						
<b>Impact</b>	Reduced investment return leading to the potential for higher employer contributions and greater volatility in level of contributions.						
<b>Controls</b>	Valuation assumptions are discussed and agreed with the Actuary. Conservative return assumptions have been used when setting the discount assumption of 4.3% for the 2019 valuation, and circa 5.0% for the Asset Liability Modelling (ALM). The actual return for the period from March 2019 to March 2020 is - 2.5%. Whilst this is behind the return assumptions it is far too early in the valuation period to place any reliance on this. 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.						

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

<b>Net Risk</b>	High	<b>Strategy</b>	Treat
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<b>Action Required</b>	Implement the agreed de-risking strategy. Monitor the position in light of COVID-19.
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		<b>Ref.</b>	A3	<b>Risk Owner</b>	Head of Pensions	<b>Updated</b>	As G1
<b>Risk</b>	The Fund does not have an appropriate strategic benchmark and an appropriate investment management structure.						
<b>Impact</b>	Possible reduced investment return, leading to the potential for higher employers' contributions and greater volatility in level of contributions. Possible need to devise and implement a revised strategy. Non-compliance with Investment Principles.						
<b>Controls</b>	The benchmark is reviewed in depth when up to date liability data becomes available after each triennial valuation. Interim studies and analysis are carried out in intervening years, as appropriate. 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.						

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

<b>Net Risk</b>	Moderate	<b>Strategy</b>	Treat
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<b>Action Required</b>	<p>Continue to apply controls. Continue to monitor the position with regards to hedging and equity protection.</p> <p>Implement the agreed de-risking strategy. Continue to monitor position in light of COVID-19.</p>
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		<b>Ref.</b>	A4	<b>Risk Owner</b>	Head of Pensions	<b>Updated</b>	As G1
<b>Risk</b>	There is inadequate monitoring of the performance of managers (including Border to Coast) and custodians. Failure to undertake formal reviews, if required.						
<b>Impact</b>	Possible breach of statutory duty, leading to adverse audit reports and poor publicity. Possible reduced investment return. Selection process leading to assets under care and maintenance. Cost of transition of assets. Assets in limbo in the case of a corporate failure. Move to pooling may result in reduced direct access to the underlying investment managers.						
<b>Controls</b>	A detailed monitoring process is in place that involves the Committee, Investment Panel, Officers and the Investment Advisor. Monthly reconciliation of portfolios. Have agreed an approach to monitoring Border to Coast. Portfolio Evaluation undertake full risk and return reporting for all managers including Border to Coast.						

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

<b>Net Risk</b>	Minor	<b>Strategy</b>	Treat
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<b>Action Required</b>	<p>Continue to apply existing controls.</p> <p>Continually review the approach to manager monitoring under the Covid-19 restrictions.</p> <p>Still working with performance advisor regarding integration of NCCPF assets.</p>
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		<b>Ref.</b>	A5	<b>Risk Owner</b>	Principal Investment Manager	<b>Updated</b>	As G1
<b>Risk</b>	There is a failure of an investment manager's (including Border to Coast) process that significantly affects the Fund.						
<b>Impact</b>	Reduced investment return, but at a level that is unlikely to be of significance to employers' contributions. Possible need to review the affected manager's investment process. Potential for adverse publicity.						
<b>Controls</b>	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.						

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

<b>Net Risk</b>	Minor	<b>Strategy</b>	Treat
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<b>Action Required</b>	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. Increased awareness needed of the strain that the current Covid-19 market environment is having on manager processes.
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		<b>Ref.</b>	A6	<b>Risk Owner</b>	Principal Investment Manager	<b>Updated</b>	As G1
<b>Risk</b>	The failure of an investment, or broker or stock lending counterparty.						
<b>Impact</b>	Trades fail, potential for assets (securities and / or cash) to be in limbo or lost.						
<b>Controls</b>	Managers review counterparties and individual investments. Collateral and indemnities, custodian controls and counterparty limits in place for stock lending.						

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

<b>Net Risk</b>	Moderate	<b>Strategy</b>	Treat
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<b>Action Required</b>	<p>Continue to apply controls.</p> <p>Continue to monitor the position on MF Global recovery, which stood at 90% to June 2020. 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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		<b>Ref.</b>	A7	<b>Risk Owner</b>	Principal Investment Manager	<b>Updated</b>	As G1
<b>Risk</b>	An investment manager is underperforming against its investment mandate.						
<b>Impact</b>	Reduced investment return, but at a level that is unlikely to be of significance to employers' contributions. Possible need to review the affected managers' investment process. Potential for adverse publicity.						
<b>Controls</b>	Investment strategy is subject to continuous review by the Fund. Investment Panel and Officers review strategy quarterly. Investment structure is well diversified. Investment Advisor available to provide proactive advice. Some assets have been moved to passive until BCPP pooling arrangements present suitable alternatives.						

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

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

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

<b>Net Risk</b>	Minor	<b>Strategy</b>	Treat
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<b>Action Required</b>	Continue to apply controls. Need to review the internal control reports from Border to Coast.
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		<b>Ref.</b>	A9	<b>Risk Owner</b>	Head of Pensions	<b>Updated</b>	As G1
<b>Risk</b>	That in the longer term the amount of cash coming into the fund reduces to a level that is not sufficient to cover outgoings. This is caused by the scheme naturally maturing. The speed at which it matures is being impacted by ER/VR programmes and employers restricting access to new members to the scheme.						
<b>Impact</b>	Decreased cash flow to rebalance structure and to meet large cash requirements such as a property purchase. Impending need to withdraw income or capital from managers in the medium term and to review the structure in the long term.						
<b>Controls</b>	Monthly monitoring of cash flow and of membership movements. Asset Liability Modelling (ALM) work undertaken to model the optimal structure. Latest estimate of cash flow position in 2020/21 shows that the Fund could move cash flow negative by around £120m. Report to the Local Pension Board in March 2018. This shortfall can be met from investment income. Moved L&G investments and BCPP IGC to income producing units.						

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

<b>Net Risk</b>	Moderate	<b>Strategy</b>	Treat
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<b>Action Required</b>	<p>Monitor position on use of wholly owned subsidiaries by scheduled bodies and the consultation on colleges and universities being able to close to new entrants.</p> <p>Monitor the impact of cash transfers out.</p>
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		<b>Ref.</b>	A10	<b>Risk Owner</b>	Principal Investment Manager	<b>Updated</b>	As G1
<b>Risk</b>	In the short term there is insufficient cash for investment requirements or other commitments, including paying pensions.						
<b>Impact</b>	Possible forced and disorderly realisation of assets to meet commitments if the position cannot be covered by temporary borrowing.						
<b>Controls</b>	<p>System in place for weekly review of the working capital position. Power to borrow to cover certain types of shortfall. Also a monthly review of net cash flow position.</p> <p>Latest estimate of cash flow position in 2020/21 shows that the Fund could move cash flow negative by around £120m. Report to the Local Pension Board in March 2018. 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>						

<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>	Mod	High	Critical	Critical
<b>Probable</b>	Mod	High	Critical	Critical
<b>Possible</b>	Min xxxxx	Mod	High	Critical
<b>Improbable</b>	Min	Min	Mod	High
<b>Net Risk</b>	Minor		<b>Strategy</b>	Treat
<b>Action Required</b>	<p>Monitor the impact of Covid-19 on the cash flows from Private Markets and UK property.</p> <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 on deferral.</p> <p>Assess and monitor the impact of employers furloughing staff and the knock on impact contribution income.</p>			

		<b>Ref.</b>	A12	<b>Risk Owner</b>	Head of Pensions	<b>Updated</b>	As G1
<b>Risk</b>	The Fund is unable to properly deal with its overseas tax liabilities and meet the requirements of overseas tax authorities.						
<b>Impact</b>	Over or under recovery of tax. Failure to manage filing obligations. Penalties imposed by tax authorities.						
<b>Controls</b>	Deloitte 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.						

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

<b>Net Risk</b>	Minor	<b>Strategy</b>	Treat
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<b>Action Required</b>	<p>Need to understand and get assurance from Border to Coast on their approach to tax management. 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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		<b>Ref.</b>	A13	<b>Risk Owner</b>	Head of Pensions	<b>Updated</b>	As G1
<b>Risk</b>	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).						
<b>Impact</b>	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.						
<b>Controls</b>	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.						
<b>Impact / Likelihood</b>		<b>Negligible</b>		<b>Marginal</b>		<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>		Mod		High		Critical	Critical
<b>Probable</b>		Mod		High		Critical	Critical
<b>Possible</b>		Min xxxxxx		Mod		High	Critical
<b>Improbable</b>		Min		Min		Mod	High
<b>Net Risk</b>		Minor		<b>Strategy</b>		Treat / Tolerate	
<b>Action Required</b>	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.						

		<b>Ref.</b>	A15	<b>Risk Owner</b>	Head of Pensions	<b>Updated</b>	As G1
<b>Risk</b>	The potential impact of climate change has not been sufficiently reflected in the Fund's Investment Strategy or by the Investment Managers which could lead to financial losses.						
<b>Impact</b>	Investment valuations are reduced as the impact of climate change is recognised in the investment market, affecting company asset valuations, revenue prospects, profitability and even company viability. The Fund receives criticism from members and the wider public for not confronting this matter. The Fund is perceived to have failed to comply with the law and statutory guidance on addressing climate change as a financial risk.						
<b>Controls</b>	Climate change is recognised as a specific financial risk in the Fund's Investment Strategy Statement and Corporate Governance and Responsible Investment Policy. The documents say how climate change is taken into account in the selection, retention and realisation of investments as part of the wider approach to social, environmental and governance considerations. The Fund believes that engagement with companies is the most appropriate way to effect change and to manage the Fund's exposure to this risk. 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.						
<b>Impact / Likelihood</b>	<b>Negligible</b>		<b>Marginal</b>		<b>Significant</b>		<b>Substantial</b>
<b>Near Certain</b>	Mod		High		Critical		Critical
<b>Probable</b>	Mod		High		Critical		Critical
<b>Possible</b>	Min		Mod xxxxx		High		Critical
<b>Improbable</b>	Min		Min		Mod		High
<b>Net Risk</b>	Moderate			<b>Strategy</b>		Treat	
<b>Action Required</b>	Challenge Investment Management on engagement process and reporting on exposure to climate related risks and opportunities. Work with Border to Coast on Responsible Investment Policy. Report to Committee on the impact of Covid-19 and high carbon stocks and how this will affect the future world funds. Update investment beliefs in Investment strategy Statement to reinforce position on climate change.						

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

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

<b>Net Risk</b>	Moderate	<b>Strategy</b>	Treat
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<b>Action Required</b>	<p>Monitor position and keep employers advised. Aon to provide quarterly funding updates.</p> <p>Consider the need to review the FSS in the light of Covid-19 and merger.</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
<b>Risk</b>	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.						
<b>Impact</b>	Failure to comply with the Public Service pensions (Record Keeping and Miscellaneous Amendment) Regulations 2014 and Pensions Regulator's guidance. Incorrect benefits could be paid causing reputational damage and fines for maladministration. In extreme cases, poor data could affect Fund valuations as the funding strategy could be inappropriate and the declared funding level incorrect. Failure to meet regulatory deadline for submission of data to GAD.						
<b>Controls</b>	The Pensions Office works with employers to obtain accurate and timely data. A Pensions Administration Strategy is in place. Comprehensive data cleansing and data checks are carried out by the Pensions Office and the Actuary. For the 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 2019 were 100% for common data and 98% for scheme specific data. Data improvement plan in place.						
<b>Impact / Likelihood</b>		<b>Negligible</b>		<b>Marginal</b>		<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>		Mod		High		Critical	Critical
<b>Probable</b>		Mod		High		Critical	Critical
<b>Possible</b>		Min xxxxx		Mod		High	Critical
<b>Improbable</b>		Min		Min		Mod	High
<b>Net Risk</b>		Minor		<b>Strategy</b>		Treat	
<b>Action Required</b>	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 next year once the Scheme Advisory Board provides further guidance. Considering an external data audit of data presence and quality.						



		<b>Ref.</b>	F5	<b>Risk Owner</b>	Principal Pensions Manager	<b>Updated</b>	As G1
<b>Risk</b>	The Fund is left with a deficit when an employer leaves with inadequate provision for the deficit.						
<b>Impact</b>	Financial loss to the Fund that has to be made up by a guarantor / insurer. In the absence of a guarantor, the funding gap would be met by the remaining employers in the Fund.						
<b>Controls</b>	Use a valuation strategy that reduces deficits as quickly as is reasonable. Consider additional contributions when an employer is known to be leaving the Fund. Obtain guarantees and bonds where possible. Deloitte audit in 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.						
<b>Impact / Likelihood</b>		<b>Negligible</b>		<b>Marginal</b>		<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>		Mod		High		Critical	Critical
<b>Probable</b>		Mod		High		Critical	Critical
<b>Possible</b>		Min		Mod xxxxx		High	Critical
<b>Improbable</b>		Min		Min		Mod	High
<b>Net Risk</b>		Moderate		<b>Strategy</b>		Treat / Transfer	
<b>Action Required</b>	<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.</p> <p>Complete covenant review of employers in respect of bond / guarantee protection.</p>						

		<b>Ref.</b>	F8	<b>Risk Owner</b>	Principal Pensions Manager	<b>Updated</b>	As G1
<b>Risk</b>	Employees do not join or remain in the Fund, either for financial reasons, regulatory change or because their employer does not promote the scheme or structures employees away from the Scheme (scheduled and admitted bodies) or prevents membership (admitted bodies only). Fewer new starters re use of short term contracts by employers allied to the two year vesting period in the new scheme.						
<b>Impact</b>	Decreased cash flow into the Fund. Fund matures quicker than it would otherwise. Potential for increase in employers' contributions.						
<b>Controls</b>	Take action against employers who fail to comply with regulations on enrolment. Where possible, promote benefits of scheme membership, whilst recognising that this is sometimes not favoured by employers. Following a consultation which suggested that colleges and universities may be allowed 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.						

<b>Impact / Likelihood</b>	<b>Negligible</b>	<b>Marginal</b>	<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>	Mod	High	Critical	Critical
<b>Probable</b>	Mod	High xxxxx	Critical	Critical
<b>Possible</b>	Min	Mod	High	Critical
<b>Improbable</b>	Min	Min	Mod	High
<b>Net Risk</b>	High		<b>Strategy</b>	Tolerate
<b>Action Required</b>	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.			

		<b>Ref.</b>	F9	<b>Risk Owner</b>	Head of Pensions	<b>Updated</b>	As G1
<b>Risk</b>	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.						
<b>Impact</b>	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.						
<b>Controls</b>	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.						
<b>Impact / Likelihood</b>	<b>Negligible</b>		<b>Marginal</b>		<b>Significant</b>		<b>Substantial</b>
<b>Near Certain</b>	Mod		High		Critical		Critical
<b>Probable</b>	Mod		High xxxxx		Critical		Critical
<b>Possible</b>	Min		Mod		High		Critical
<b>Improbable</b>	Min		Min		Mod		High
<b>Net Risk</b>	High			<b>Strategy</b>		Treat	
<b>Action Required</b>	Continue to monitor the position and apply controls.						

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

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

<b>Net Risk</b>	High	<b>Strategy</b>	Treat
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<b>Action Required</b>	<p>Apply existing controls.</p> <p>Monitor the position on McCloud. Respond to HMCLG consultation ahead of 8 October deadline.</p> <p>Develop a plan to prepare for McCloud proposals, including ensuring appropriate resources.</p> <p>Monitor position on Public Sector Exit Payments Cap.</p>
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		Ref.	L4	Risk Owner	Principal Pensions Manager	Updated	As G1
<b>Risk</b>	The Fund fails to comply with General Data Protection Regulations, or has a data protection breach.						
<b>Impact</b>	Enforcement action, service disruption, costs, adverse publicity.						
<b>Controls</b>	Corporate procedures are followed. In addition pensions service specific controls are applied. 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.						
<b>Impact / Likelihood</b>		<b>Negligible</b>		<b>Marginal</b>		<b>Significant</b>	<b>Substantial</b>
<b>Near Certain</b>		Mod		High		Critical	Critical
<b>Probable</b>		Mod xxxxx		High		Critical	Critical
<b>Possible</b>		Min		Mod		High	Critical
<b>Improbable</b>		Min		Min		Mod	High
<b>Net Risk</b>		Moderate		<b>Strategy</b>		Treat	
<b>Action Required</b>	<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>						

<b>No.</b>	xxxx	<b>Ref.</b>	L5	<b>Risk Owner</b>	Principal Pensions Manager	<b>Updated</b>	As G1
<b>Risk</b>	The Fund provides inappropriate or incorrect information and guidance to a member.						
<b>Impact</b>	Inferior service to member. Risk of public censure and financial penalties imposed by regulators. Risk of requirement to pay restitution.						
<b>Controls</b>	General issues are addressed through staff training. Staff are advised that the Fund cannot give advice.						

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

<b>Net Risk</b>	Moderate	<b>Strategy</b>	Treat
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<b>Action Required</b>	<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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<b>No.</b>	xxxx	<b>Ref.</b>	L6	<b>Risk Owner</b>	Principal Pensions Manager	<b>Updated</b>	As G1
<b>Risk</b>	Failure to manage member related tax correctly.						
<b>Impact</b>	Penalties and interest payments to the fund and members. Members' tax positions may be compromised.						
<b>Controls</b>	Periodic audits are carried out on management of tax by audit partner. 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.						

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

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

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

<b>Net Risk</b>	Minor	<b>Strategy</b>	Treat
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<b>Action Required</b>	Continue to monitor position and promote awareness. A review to take place of the protocol and training to be delivered.
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<b>No.</b>	xxxx	<b>Ref.</b>	L8	<b>Risk Owner</b>	Principal Pensions Manager	<b>Updated</b>	As G1
<b>Risk</b>	A transfer value is incorrectly managed, resulting in a Pensions Liberation Fraud.						
<b>Impact</b>	Potential for fines by Regulator and Ombudsman, tax charges and adverse publicity.						
<b>Controls</b>	Systems reviewed to alert staff and members to position. TPR practices have been adopted. Strengthened disclaimer introduced. Legal and Senior Management review of cases. System in place re Freedom and Choice. 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.						

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

<b>Net Risk</b>	Minor	<b>Strategy</b>	Treat
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<b>Action Required</b>	Continue to apply controls. Monitor position on pension freedoms.  Monitor the position on claims management companies. This is on the back of guidance from the Regulator.
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<b>No.</b>	xxxx	<b>Ref.</b>	S1	<b>Risk Owner</b>	Principal Pensions Manager	<b>Updated</b>	As G1
<b>Risk</b>	Benefits and payments are accessed by individuals who are not entitled to receive them.						
<b>Impact</b>	Financial loss.						
<b>Controls</b>	High degree of check built into system. Name, address and bank detail checks. Selective eligibility checks, e.g child's pensions paid to students. Participate in NFI programme. Continued use of Tell Us Once and the Scheme's National NI Database have improved control.						

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

<b>Net Risk</b>	Moderate	<b>Strategy</b>	Treat
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<b>Action Required</b>	<p>Continue to apply controls.</p> <p>Finalise the 2018 biennial NFI exercise the data for which was received in 2019. This will require a review of outstanding items.</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
<b>Risk</b>	The pensions processing software system is not fully updated in a timely manner and poor version control leads to a deterioration in the functionality.						
<b>Impact</b>	Unable to carry out aspects of pensions administration efficiently in line with regulations without manual intervention. Additional working costs. Service to employers and members is compromised.						
<b>Controls</b>	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
<b>Near Certain</b>	Mod	High	Critical	Critical
<b>Probable</b>	Mod	High	Critical	Critical
<b>Possible</b>	Min	Mod xxxxx	High	Critical
<b>Improbable</b>	Min	Min	Mod	High

<b>Net Risk</b>	Moderate	<b>Strategy</b>	Treat
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<b>Action Required</b>	<p>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.</p> <p>Monitor the position on cost cap calculations and McCloud.</p> <p>Project to start to put new pensions administration software contract in place to enable commitment to longer term projects.</p> <p>Monitor position on Public Sector Exit Payments Cap.</p>
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<b>No.</b>	xxxx	<b>Ref.</b>	S3	<b>Risk Owner</b>	Principal Pensions Manager	<b>Updated</b>	As G1
<b>Risk</b>	Failure to develop and introduce improved working practices across pensions processing, particularly increased automation and electronic processing and communication.						
<b>Impact</b>	Increased costs of processing. Additional processing backlogs arise. Statutory targets and local performance indicators are not met. Inferior service to employers and members. Risk of public censure and financial penalties imposed by regulators. Risk of requirement to pay restitution.						
<b>Controls</b>	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. Reviewed and identified priority areas for improvement in the short term on the back of Covid-19						

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

<b>Net Risk</b>	High	<b>Strategy</b>	Treat
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<b>Action Required</b>	Use consultancy time as required. Monitor progress against service plans and continue to report to Committee. Review and identify priority areas for improvement in the longer term for the tender of the UPM systems.
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<b>No.</b>	xxxx	<b>Ref.</b>	S6	<b>Risk Owner</b>	Head of Pensions	<b>Updated</b>	As G1
<b>Risk</b>	Key people leave, and this places a strain on remaining resources to cover the role and responsibilities.						
<b>Impact</b>	Failure to deliver an adequate service. Increased stress and pressure of working.						
<b>Controls</b>	Structure kept under review. Continual review by senior managers of succession planning. Training programmes in place. Manuals and service planning in place.						

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

<b>Net Risk</b>	High	<b>Strategy</b>	Treat
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<b>Action Required</b>	<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 2020/21.</p> <p>Hymans appointed to undertake structural review. Recruit to the post of Principal Investment Manager, subject to outcome of Hymans review.</p>
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<b>No.</b>	xxxx	<b>Ref.</b>	S7	<b>Risk Owner</b>	Principal Pensions Manager	<b>Updated</b>	As G1
<b>Risk</b>	Performance against Disclosure Regulations fails to deliver at an appropriate level.						
<b>Impact</b>	Breach of Regulations. Risk of adverse publicity. Censure by TPR, IDRPs and Pensions Ombudsman. Risk of financial penalties.						
<b>Controls</b>	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.						

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

<b>Net Risk</b>	High	<b>Strategy</b>	Treat
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<b>Action Required</b>	Keep staffing structure under review and fill posts. Continue to apply controls. Review working practices. Note that the reported position may deteriorate as a consequence of Covid-19. Formalise the number of improvement plans into one overriding plan.
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<b>No.</b>	xxxx	<b>Ref.</b>	S9	<b>Risk Owner</b>	Head of Pensions	<b>Updated</b>	As G1
<b>Risk</b>	Insufficient resources create problems in service delivery.						
<b>Impact</b>	Issues with service delivery and meeting performance standards. This can also lead to significant backlogs building up. Additional work re Pooling 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.						
<b>Controls</b>	Monitoring structure and key person risk. Training in place. Work flexibly re staff allocation. Working overtime selectively. Temporary staff are being used. Moved to electronic processing and member web has improved efficiency. Risk based approach applied to processing.						

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

<b>Net Risk</b>	Moderate	<b>Strategy</b>	Treat
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<b>Action Required</b>	<p>Monitor workload v. capacity v productivity and position re pooling, merger and Covid-19. As backlogs have reduced a decision has been taken to reduce the reliance on temporary staff. 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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<b>No.</b>	xxxx	<b>Ref.</b>	S10	<b>Risk Owner</b>	Head of Pensions	<b>Updated</b>	As G1
<b>Risk</b>	Failure to fully rectify the members GMP values following the GMP reconciliation process.						
<b>Impact</b>	Potential for payment of pensions without an entitlement. May overpay or underpay pensions increases. Additional liability for the Fund.						
<b>Controls</b>	Data received from HMRC. Software has been purchased to review this data. A report to Pensions Committee in February 2018 set out a proposed way forward and provided budget approval. The Fund has hit the deadlines set for October 2018.						

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

<b>Net Risk</b>	Moderate	<b>Strategy</b>	Treat
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<b>Action Required</b>	<p>Need to undertake the full reconciliation and rectification thereafter.</p> <p>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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<b>No.</b>	xxxx	<b>Ref.</b>	S12	<b>Risk Owner</b>	Head of Pensions	<b>Updated</b>	As G1
<b>Risk</b>	There is a risk of a Cyber Security attack corrupting systems and data and or stealing data. (See also L4 GDPR).						
<b>Impact</b>	There would be a service and reputational impact. Fines could be levied if inappropriate controls are considered to be in place.						
<b>Controls</b>	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 ICVT department have applied additional controls over emails received and home working arrangements. STC is providing e-learning training modules on cyber security.						

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

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

No.	xxxx	Ref.	S13	Risk Owner	Head of Pensions	Updated	As G1
<b>Risk</b>	The Fund's electronic web services are not available to either individual members or employers.						
<b>Impact</b>	Individual members cannot access services 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. Increased reliance on web services during Covid-19 Pandemic.						
<b>Controls</b>	System scans and regular penetration tests are in place to ensure web services is not vulnerable to attack. Testing is in place prior to new modules going live. Within ICT there is a scheduled restart the servers running web services each evening. Microsoft SCOM monitoring is used which monitors the availability of the servers and the website. Any errors are displayed on screen, with emails sent to the Platform Team. In addition Pensions Technical Team have a morning routine to check web services is available. Civica UPM service desk manages any issues with web services with downtime allocated highest priority.						

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

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

		<b>Ref.</b>	S14	<b>Risk Owner</b>	Head of Pensions	<b>Updated</b>	As G1
<b>Risk</b>	There is a reduction in productivity from working from home linked to system availability and response times.						
<b>Impact</b>	Reduced productivity means that backlogs build up and performance against disclosure requirements and key performance indicators deteriorate. Overall the service to members and employers suffers.						
<b>Controls</b>	<p>The Council has significantly increased the bandwidth for employees working from home and remotely accessing the Council's systems.</p> <p>A review of processes has been undertaken to streamline operations where possible to make remote working more efficient (for example the uploading of certificates). A limited number of staff have now returned to the office to improve efficiency. Reviewed database management tools.</p>						

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

<b>Net Risk</b>	High	<b>Strategy</b>	Treat
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<b>Action Required</b>	<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. Set up a test to check processing times at home v the office. Awaiting feedback from test results.</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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		<b>Ref.</b>	S15	<b>Risk Owner</b>	Head of Pensions	<b>Updated</b>	As G1
<b>Risk</b>	Significant loss of staff due to Covid-19.						
<b>Impact</b>	Loss of resource which will lead to a deterioration in service standards, an increase in backlogs and a reduction in performance against disclosure regulations and key performance indicators.						
<b>Controls</b>	<p>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>						

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

<b>Net Risk</b>	Moderate	<b>Strategy</b>	Treat
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<b>Action Required</b>	<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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		<b>Ref.</b>	S16	<b>Risk Owner</b>	Head of Pensions	<b>Updated</b>	As G1
<b>Risk</b>	Risk that staff suffer either physical or mental health issues as a result of prolonged working at home and in isolation.						
<b>Impact</b>	Loss of resource which will lead to a deterioration in service standards, an increase in backlogs and a reduction in performance against disclosure regulations and key performance indicators.						
<b>Controls</b>	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.						

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

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

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

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