



South Tyneside Council

Local Pension Board

Date: 4th July 2024

Risk Management and Internal Audit (for information and discussion)

Report of the Head of Pensions

Purpose of Report

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

Contact Officer:

Paul McCann, Head of Pensions

pensions pensions pensions pensions pensions

Background

4. Pensions Committee has delegated the quarterly monitoring of the Risk Register and the internal audit programme to the Local Pension Board. The Committee will, however, continue to receive annual reports on these matters.
5. The Fund's approach to the review, control and internal reporting of risk is set out below:
 - the Risk Register is reviewed quarterly by officers, or more frequently if required, 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.
6. The approach to the preparation, implementation and internal reporting of the internal audit programme is set out below:
 - An annual report, prepared by the Assurance and Risk Manager, is usually presented to the Committee at the June meeting and thereafter to the Local Pension Board. This includes the forthcoming programme for the coming year, along with a summary of the audits undertaken in the past year.
 - The programme is undertaken by the Council's Internal Audit Service and Isio (internal audit partner).
 - Completed audits are posted in the password-protected part of the Fund's website.
 - A summary of the outcome of each audit is presented to the Local Pension Board at each quarterly meeting.
 - The Committee's attention will be drawn to any material audit findings.
7. Further information in relation to the processes around the Risk Register and the internal audit programme can be found in the Fund's Risk Management Policy. This policy document can be found at: [Plans and policies - Tyne and Wear Pension Fund \(twpf.info\)](https://www.twpf.info/plans-and-policies).

Approach to Managing and Reporting on Risks

8. The Fund must identify and control the risks that it faces as part of the ongoing delivery of the service.

9. 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.
10. 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

11. The latest review of the Risk Register was undertaken on 5th June 2024. None of the risks have been assessed as Critical.
12. The most recent review of the Risk Register has seen four changes. These changes are summarised in the table below:

Risk		From	To	Reason
Ref	Title			
G1	There may be a lack of knowledge and understanding by the Committee and Local Pension Board.	Probable / Marginal (High)	Near Certain / Marginal (High)	As a result of changes to the Committee and Board make up following local elections, including a new Chair and Vice Chair, the overall training requirement has increased.
L1	Failure to apply the Regulations correctly in relation to benefits,	Probable / Marginal (High)	Near Certain / Marginal (High)	Delays in the software solution being updated which would enable

	especially where changes may be retrospective (e.g., McCloud).			historical cases to be recalculated where required, and where identified an underpin paid means we are not acting fully in accordance with the Regulations.
S10	Failure to fully rectify the members GMP values following the GMP reconciliation process.	Probable / Marginal (High)	Near Certain / Marginal (High)	The rectification project has been delayed whilst resources have been deployed to other areas, particularly McCloud. This means that some pensions are being incorrectly paid.
S16	Risk that staff suffer either physical or mental health issues as a result of changing working practices (including potentially prolonged working at home and in isolation).	RISK DELETED		Risk S16 was first created at the time of the Covid pandemic (May 2020) when staff were required to work at home. This risk later evolved to reflect the changing working practice of a hybrid approach. This risk is now being deleted as it is considered to be a transitional risk and the hybrid way of working is now considered the new normal way of working and we are no longer in a transitional situation.

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

- **S9 - High Risk (Likelihood – Near Certain / Impact – Marginal) - Insufficient resources create problems in service delivery.**

This risk is one that poses significant challenge to the Fund, and the Local Pension Board actually requested re-visiting this risk in July 2024 when the structure changes within the Fund had embedded for a longer period and would give additional insight into progress being made.

The consequences of insufficient resources impacting service delivery is a real risk and can cause an increasing processing backlog inability to deliver on special projects. As a result, we as a Fund are unable to improve and we could fail to be compliant in required areas. In addition, when there is a perception of insufficient resources, this can have a detrimental effect on staff morale.

Since we last reported on this risk all vacant posts have been filled. We are continuing to provide ongoing development to the staff that have been recruited and have been able to focus the resources into the right areas. However, areas outside of the Fund's control such as software developments have not progressed quickly or are significantly delayed, which has hindered our own progress.

After reviewing performance indicators, backlog numbers and the progress of some of the projects that we do need to complete since restructure, we still feel there is some additional work that needs to be undertaken to maximise effectively the resources we have, and we are currently considering options. Although the re-structure has embedded, we still face a number of challenges. This risk is high, and this is categorised based on a marginal impact on the Fund. We do need to consider whether the impact of this risk manifesting would have a more significant impact on the Fund.

- **L4 - Moderate Risk (Likelihood – Probable / Impact Negligible) – The Fund fails to comply with General Data Protection Regulations or has a data protection breach.**

This risk, although a moderate one, is very important as the resulting impact could result in financial and reputational damage to the Fund, and damage to individual members' pension benefits and Fund staff members.

To avoid this risk manifesting, we have a number of controls in place such as ensuring that the corporate procedures are followed. We also apply pensions service specific controls. A log of all data protection breaches is maintained, which includes action taken to improve. We moved to a third- party printing supplier which reduces the risk of data breaches. Mandatory cyber security and data protection e-learning for all staff has been undertaken.

We have in place an implementation plan for Dashboards that includes data security. We are also able to review change controls within the Pensions Admin system.

We are in the process of completing a review of the information asset register and the document retention schedules as part of a wider corporate project to move to more secure information retention systems.

Despite controls to mitigate the risks in place, this risk cannot be completely dismissed.

14. A copy of the full Risk Register is attached to this report as Appendix B. The Board's views on the Risk Register are requested.

2023/24 Audit Programme

15. The audit plan for 2023/24 is now complete.

16. Since the last report to the Board, a number of audits have concluded. These are set out below.

17. **Data Quality – (Pensions) Audit.** A rating of Substantial Assurance was awarded which is the second highest level of assurance that can be achieved.

From the audit there were three recommendations made, one medium and two low priority. Details of the recommendations and the management response are shown in the table below:

Recommendation	Management Response
<p>(Medium)</p> <p>The Principal Pensions Manager should ensure that all entries included in the Data Improvement Plan are:</p> <ul style="list-style-type: none"> • assigned resources and a timescale for completion, with clear methods to be applied and the outcome to be achieved and how this will be measured to confirm success • measurable e.g. for larger tasks, key milestones noted which will allow for an update to be provided in relation to progress made • clearly recorded as to whether a special project or “business as usual” task • monitored on a regular basis to determine progress made and to identify any slippages. 	<p>The Data Improvement Plan was viewed during a transitional period. We will review the plan in line with comments above and ensure timescales and resources are included, with the addition of identifications for B.A.U and special projects. A formal review at the end of each quarter will be undertaken and it will be a focus at the weekly managers’ catch up to ensure any new items that are identified are recorded on the plan.</p>
<p>(Low)</p> <p>The Employer Services Manager and the Senior Pensions Technical Support Officer should complete the Operational Procedure guidance notes for the data review and data scoring exercise and ensure these are available to all staff involved in the process.</p>	<p>Agreed. Notes will be drafted all by relevant individuals.</p>

<p>(Low)</p> <p>The Employer Services Manager and the Senior Pensions Technical Support Officer should give consideration to undertaking more regular data quality reviews throughout the year.</p>	<p>Agreed. The Fund will move to quarterly reviews once resources are freed up from the McCloud Remedy Project.</p>
--	---

18. **Child Pension Audit.** The audit received moderate assurance. There were three recommendations made, two medium priority and one low priority. Details of the recommendations and management response are detailed in the table below:

Recommendation	Management Response
<p>(Medium)</p> <p>The Child Pension policy / procedures be updated to clarify and define 'dependency' perhaps by adding clear examples of circumstances when 'dependency' may apply and when it may not, for example, should a disabled adult who 'lives independently' be entitled to a child pension.</p> <p>A review of documentation relating to the child benefit awards process to be undertaken as part of the death process to identify any areas for improvement.</p>	<p>Not agreed: Following review of the Child's Pension Policy it was agreed that there is no area of discretion in determining any benefit award. Pensions are calculated in accordance with LGPS Regulations. Therefore, it was agreed that the policy would be replaced by a procedure note.</p> <p>The LGPS Regulations clearly define the eligibility criteria for a child's pension and there is no provision for discretion by the Fund or any member nomination.</p> <p>In order to apply the regulations, the Fund collects information from the deceased's representatives and potential beneficiaries to determine any entitlement.</p> <p>There appears to be a misunderstanding in respect of "nominating" and eligibility in the recommendation. The criteria are set out in the Regulations and are included in the information provided to representatives and potential beneficiaries.</p> <p>The IRMP and not the Fund will determine any incapacity.</p> <p>Agreed: The Fund will review the relevant documentation to identify if any improvements can be made to ensure that all information required to determine eligibility is provided. However, the Fund</p>

	<p>will not be able to deviate from the definitions as set out in the Regulations.</p> <p>This review will be picked up within the wider “Death Process” review, scheduled for 2024/5.</p> <p>It would not be prudent to provide examples of “if and when” payments can be made. The focus will be on ensuring all the correct information is collected to undertake the task of complying with the Regulations.</p> <p>At the time of any decision or benefit award a right of appeal is provided.</p>
<p>(Medium)</p> <p>TWPF review all children’s pensions in payment linked to educational status to ensure all have all been subject to a review and that the pension remains appropriate.</p>	<p>Agreed: A full review of all will be incorporated into the annual review which will commence in June 2024.</p>
<p>(Low)</p> <p>Evidence to support the relationship to the member and their entitlement to the award to be uploaded to UPM in all cases.</p> <ul style="list-style-type: none"> • Child pensions to be processed and put into payment in a timely manner. • The letter issued to the child/carer notifying them of their pension payment amount and date it is due to commence to be held on the record in UPM. 	<p>When a beneficiary record is created on UPM there is a link to the original member’s folder via Original Folder Details Viewer and documentation and certificates will be held on this record. This link has not always been available so older cases may not have the link to the original folder. Documents can be copied across to the beneficiary record.</p> <ul style="list-style-type: none"> • The vast majority of child pension cases are processed promptly once we have received all relevant documentation. However, where a child is continuing in full-time education a case can sometimes be delayed as we need additional forms from the child and the educational establishment, as the pension cannot be paid until this is received. In the case in question the delay was due to the Fund waiting for these forms and no formal complaint was received. • When a Death process is actioned, and a

	<p>child's pension is payable, the Fund will correspond with the parent/guardian until the child attains age 18. The documentation is created on the deceased member's folder as the child's UPM Record is created via a separate process after the Death process has been fully authorised. Documents can be copied across to the beneficiary record.</p>
--	--

19. **Cashflow Management Audit.** This Audit received Full Assurance, which is the highest level of assurance. There were no recommendations resulting from the audit.

20. **Contributions Audit.** This audit received substantial assurance, which is the second highest level of assurance. There were three recommendations, one medium priority and two low priority in this audit. The recommendations and the management response are shown in the table below:

Recommendation	Management Response
<p>(Medium)</p> <p>The Pension Fund Finance Manager should ensure contributing authorities are contacted in a timely fashion and charged interest when late payments are received.</p>	<p>Agreed.</p>
<p>(Low)</p> <p>The Pension Fund Finance Manager to ensure procedural guidance and CARE16 notes are reviewed and updated to reflect current staff involvement.</p>	<p>The procedural guidance and Care 16 notes will be updated by September 2024.</p>
<p>(Low)</p> <p>The Pension Fund Finance Manager to request contributing authorities to provide a brief explanation where CARE16 payment calculations are not shown correctly.</p>	<p>The Fund is looking at introducing monthly electronic processing of employer data which may allow access to more granular data to identify any discrepancies. Once in place after interrogation of this data there may be a requirement for deeper explanations of reconciliation differences from employers.</p>

21. The final two audits of the 23/24 cycle – Performance Management and the Funding and Investment Strategy Review Audit have both been completed, however they are currently in draft format. They will be reported at the next Board meeting when we have received final reports.

2024/25 Audit Programme

22. The 24/25 Audit Programme was presented to March 2024 Committee for comment and approval. The details of the audits to be undertaken for 24/25 are covered in a separate report.

Recommendation

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

Reason for Recommendation

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

Risk Assessment Methodology

Impact

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

Likelihood

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

Appendix B

Risk Register

Review – 5 June 2024

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

Changes at this Review

Risk		From	To	Reason
Ref	Title			
G1	There may be a lack of knowledge and understanding by the Committee and Local Pension Board.	Probable / Marginal (High)	Near Certain / Marginal (High)	As a result of changes to the Committee and Board make up following local elections, including a new Chair and Vice Chair, the overall training requirement has increased.
L1	Failure to apply the Regulations correctly in relation to benefits, especially where changes may be retrospective (e.g., McCloud).	Probable / Marginal (High)	Near Certain / Marginal (High)	Delays in the software solution being updated which would enable historical cases to be recalculated where required, and where identified an underpin paid means we are not acting fully in accordance with the Regulations.
S10	Failure to fully rectify the members GMP values following the GMP reconciliation process.	Probable / Marginal (High)	Near Certain / Marginal (High)	The rectification project has been delayed whilst resources have been deployed to other areas, particularly McCloud. This means that some pensions are being incorrectly paid.
S16	Risk that staff suffer either physical or mental health issues as a result of changing working practices (including potentially prolonged working at home and in isolation).	RISK DELETED		Risk S16 was first created at the time of the Covid pandemic (May 2020) when staff were required to work at home. This risk later evolved to reflect the changing working practice of a hybrid approach. This risk is now being deleted as it is considered to be a transitional risk and the hybrid way of working is now considered the new normal way of working

				and we are no longer in a transitional situation.
--	--	--	--	---

Approach to Considering Risks

1. The Risk Register is scored on a net basis, which means after all controls have been applied.

Notes on Potential Future Risks

2. The Scheme Advisory Board has commissioned a review of the Governance arrangements for pension funds. Hymans has produced a final report. Isio considered the SAB review as part of their annual governance review and confirmed the Fund's current approach was broadly consistent with the recommendations to date. The position will be reviewed as the Good Governance Review progresses further.
3. The Pensions Regulator 'General Code' was introduced on 28 March 2024. Officers are working through the code to ensure compliance before an external assessment is undertaken in 24/25.
4. There are a number of risks that relate to investment pooling. In particular, risks G2 and A13 which are specific pooling related risks. At the current time they are still considered to be relevant. Other risks such as a failure of an investment manager process will also impact. As more assets transfer over to BCPP, a holistic review of the risk from pooling will need to be undertaken.
5. The impacts of implementing the McCloud remedy and the introduction of Pensions Dashboards are considered through existing risks in the risk register. It has not been considered necessary to create McCloud or Dashboard specific risks.
6. This risk register does not cover in detail a number of investment related risks, as these are covered in the Investment Strategy Statement, such as illiquidity risk, currency risk and wider geopolitical risks.

Other Notes

7. None.

	Ref.	G1	Risk Owner	Head of Pensions	Updated	06/08/2021
Risk	There may be a lack of knowledge and understanding by the Committee and Local Pension Board.					
Impact	Potential for poor decision making and lack of challenge to officers and advisors.					
Controls	Training Policy and Programme in place based on CIPFA Code of Practice and Knowledge and Skills Frameworks for Pensions Committees and Local Pension Boards. Diverse skills base amongst Members. Size of Committee provides protection against turnover. Annual Committee self-assessment of skills base and review of governance structure. Availability of advisors and officers. Local Pension Board strengthens governance structure. A joint training policy has been agreed by the Committee and the Local Pensions Board. Induction training delivered to new members. We have purchased the Hymans Roberston online learning platform to supplement the training programme. Enhanced training given to Chair and Vice Chair.					

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	Moderate	Strategy	Treat
-----------------	----------	-----------------	-------

Action Required	<p>Monitor emerging guidance on Board and Committee training requirements.</p> <p>Undertake induction training programme.</p>
------------------------	---

		Ref.	G2	Risk Owner	Head of Pensions	Updated	As G1
Risk	Following the move to asset pooling the Fund has reduced control over the implementation of the Investment Strategy which may lead to sub optimal decisions being taken on behalf of Tyne and Wear Pension Fund. (see A13 also).						
Impact	Potential for the Fund not being able to fully implement its Investment Strategy. May need to compromise on what is in the best interests of the Fund. Material short term governance burden as new arrangements are researched and put into place.						
Controls	Actively participate in the governance arrangements for the pool and ensure the position of the Fund is protected. External advisors have been appointed. Strategy and asset allocation decisions remain at the Fund level. Audit undertaken by Deloitte on pooling governance gave a rating of substantial assurance. Border to Coast Governance documents updated in 22/23 and 23/24.						

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

Net Risk	Moderate	Strategy	Treat
-----------------	----------	-----------------	-------

Action Required	Monitor government approach to asset pooling and or fund consolidation.
------------------------	---

		Ref.	G5	Risk Owner	Head of Pensions	Updated	As G1
Risk	As a result of hybrid working, the Fund may be unable to meet the more significant actions in the Service Plan. This includes but is not limited to the implementation of the Investment Strategy, McCloud and responding to Governance initiatives.						
Impact	Key projects do not progress resulting in service improvements not being delivered.						
Controls	<p>There is a quarterly review of the Service Plan in place. A modern approach to working has been adopted with staff having returned to the office 2-3 days per week to help improve operational efficiency.</p> <p>Priority needs to be given to those significant actions in the Service Plan which will have the biggest impact.</p>						

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

Net Risk	Moderate	Strategy	Treat
-----------------	----------	-----------------	-------

Action Required	
------------------------	--

		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	<p>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.</p> <p>Member of the LAPFF. The Fund has a Climate Change Policy and a range of climate related commitments. It has also published a Net Zero Roadmap and TCFD Report in 23/24. A number of actions are in the Service Plan and are monitored quarterly.</p> <p>The fund is now a signatory to UK Stewardship Code 22/23.</p>						
Impact / Likelihood		Negligible		Marginal		Significant	Substantial
Near Certain		Mod		High		Critical	Critical
Probable		Mod		High		Critical	Critical
Possible		Min		Mod XXXXX		High	Critical
Improbable		Min		Min		Mod	High
Net Risk		High		Strategy		Treat	
Action Required	<p>Develop quarterly monitoring around Stewardship and against the actions in the Net Zero Roadmap.</p> <p>Review of Net Zero targets as part of 24/25 Climate Change Policy update.</p>						

		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 returns leading to the potential for higher employer contributions and greater volatility in level of contributions.						
Controls	Valuation assumptions are discussed and agreed with the Actuary. Conservative return assumptions have been used when setting the discount assumption of 4.45% for the 2022 valuation, and circa 4.6% for the Asset Liability Modelling (ALM), which had increased to 5.4% as of 31 st March 2022. The actual return for the period from March 2022 to March 2024 is +6.1% which is below the required long-term returns. Interim health check of the Investment Strategy undertaken in 2023.						

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

Net Risk	Moderate	Strategy	Treat
-----------------	----------	-----------------	-------

Action Required	Continue to implement the 2022 Investment Strategy review.
------------------------	--

		Ref.	A3	Risk Owner	Head of Pensions	Updated	As G1
Risk	The Fund does not have an appropriate strategic benchmark and an appropriate investment management structure.						
Impact	Possible reduced investment return, leading to the potential for higher employers' contributions and greater volatility in level of contributions. Possible need to devise and implement a revised strategy. Non-compliance with Investment Principles.						
Controls	The benchmark is reviewed in depth when up to date liability data becomes available after each triennial valuation. Interim studies and analysis are carried out in intervening years, as appropriate. 2022 review of Investment strategy completed and signed off by Committee in September 2022. A quarterly review of tactical positions also takes place. A currency hedge on US assets with L&G was implemented in March 2020. Undertook interim health check of the Investment Strategy in 2023.						

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

Net Risk	Moderate	Strategy	Treat
-----------------	----------	-----------------	-------

Action Required	Continue to implement the 2022 Investment Strategy review.
------------------------	--

		Ref.	A4	Risk Owner	Principal Investment Manager	Updated	As G1
Risk	There is inadequate monitoring of the performance of the total Fund, individual managers (including Border to Coast), Investment Programmes and custodians. Failure to undertake formal reviews, if required.						
Impact	Possible breach of statutory duty, leading to adverse audit reports and poor publicity. Possible reduced investment return. Selection process leading to assets under care and maintenance. Cost of transition of assets. Assets in limbo in the case of a corporate failure. Move to pooling may result in reduced direct access to the underlying investment managers.						
Controls	A detailed monitoring process is in place that involves the Committee, Investment Panel, Officers, and the Investment Advisor. Monthly reconciliation of portfolios. Have agreed an approach to monitoring Border to Coast. Northern Trust appointed to carry out performance measurement. Audit of investment monitoring undertaken in 2022-23 gave substantial assurance.						

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	Minor	Strategy	Treat
-----------------	-------	-----------------	-------

Action Required	Implement recommendations from Investment Monitoring audit. Consider alternative service providers for risk and attribution monitoring. Assist in the development of Border to Coast investment monitoring arrangements including OOG and the Joint Committee.
------------------------	--

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

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

Net Risk	Minor	Strategy	Treat
-----------------	-------	-----------------	-------

Action Required	
------------------------	--

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

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

Net Risk	Moderate	Strategy	Treat
-----------------	----------	-----------------	-------

Action Required	Monitor the position on MF Global recovery, by reviewing the Assignment Agreement submitted to fund in April 2023 and responding to this.
------------------------	---

		Ref.	A7	Risk Owner	Principal Investment Manager	Updated	As G1
Risk	An investment manager (including Border to Coast) is underperforming against its investment mandate(s).						
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 the Fund. Investment Panel and Officers review strategy quarterly. Investment structure is well diversified. Investment Advisor available to provide proactive advice. Some assets have been moved to passive until BCPP pooling arrangements present suitable alternatives. Where material underperformance is identified, further consideration is given to enhanced monitoring procedures and additional meetings with the managers. Creation of Officers Investment Group (OIG) provides enhanced oversight of investment performance of the Border to Coast mandates.						

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
-----------------	----------	-----------------	-------

Action Required	Continue to monitor Border to Coast equities mandates.
------------------------	--

		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 manager's investment process. Potential for adverse publicity.						
Controls	Each manager's strategy is subject to continuous review by the Investment Panel and Officers. Monthly monitoring of portfolios is in place. Investment Advisor available to provide proactive advice. Managers' internal control reports are reviewed annually as part of the closedown processes (including BCPP). Regulatory framework within which investment managers operate.						

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

Net Risk	Minor	Strategy	Treat
-----------------	-------	-----------------	-------

Action Required	
------------------------	--

		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.						
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. Current cash flow position indicates the Fund can continue to manage its private markets program and stay cashflow positive (including investment income). Moved L&G investments and BCPP IGC and MAC to income producing units.						

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

Net Risk	Moderate	Strategy	Treat
-----------------	----------	-----------------	-------

Action Required	Continue to monitor the cashflow position. Review the process for reconciling in preparation for monthly contributions posting.
------------------------	--

		Ref.	A10	Risk Owner	Principal Investment Manager	Updated	As G1
Risk	In the short term there is insufficient cash for investment requirements or other commitments, including paying pensions.						
Impact	Possible forced and disorderly realisation of assets to meet commitments if the position cannot be covered by temporary borrowing.						
Controls	System in place for weekly review of the working capital position. Power to borrow to cover certain types of shortfalls. Also, a monthly review of net cash flow position. Ongoing annual review of cashflow position. Latest agreed investment strategy includes a 1% allocation to cash. Move to income producing units with investment managers.						

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

Net Risk	Minor	Strategy	Treat
-----------------	-------	-----------------	-------

Action Required	Continue to monitor the cashflow position.
------------------------	--

		Ref.	A12	Risk Owner	Principal Investment Manager	Updated	As G1
Risk	The Fund is unable to properly deal with its overseas tax liabilities and meet the requirements of overseas tax authorities.						
Impact	Over or under recovery of tax. Failure to manage filing obligations. Penalties imposed by tax authorities.						
Controls	Deloitte has previously carried out audit work and provided Adequate (second highest) assurance. Controls are comparable to those at other funds. Regular discussion with managers to evaluate positions. Use of blocking structures. The Fund had advice from Deloitte in Oct 2018 on the completion of tax exemption forms. With a move to pooling the responsibility for structuring investments to minimise tax leakage and ensure appropriate filing of returns now largely rests with BCCP.						

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

Net Risk	Minor	Strategy	Treat
-----------------	-------	-----------------	-------

Action Required	Need to understand and get assurance from Border to Coast on their approach to tax management. Need to review Border to Coast report on tax. Continue to monitor tax status in overseas jurisdictions.
------------------------	---

		Ref.	A13	Risk Owner	Principal Investment Manager	Updated	As G1
Risk	Following the move to asset pooling and the transfer of assets to Border to Coast this may not result in an improvement in net returns (See also G2).						
Impact	Potential for lower gross and net investment returns, transition costs and forced sale of investments at a sub optimal price. True impact on performance over the longer term will not be known for several years.						
Controls	Contribute to the Pool's deliberations in this area. Strategy and asset allocation decisions remain at the Fund level. Monitoring of the performance of Border to Coast products is undertaken by the Fund and Portfolio Evaluation. The Fund is actively involved in the transition advisors and managers for each transition with Border to Coast. The Fund is monitoring the costs and savings from pooling and reporting this to the Committee and the Local Board.						

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

Net Risk	Minor	Strategy	Treat / Tolerate
Action Required			

		Ref.	A15	Risk Owner	Principal Investment Manager	Updated	As G1
Risk	The potential impact of climate change has not been sufficiently reflected in the Fund's Investment Strategy or by the Investment Managers which could lead to financial losses.						
Impact	Investment valuations are reduced as the impact of climate change is recognised in the investment market, affecting company asset valuations, revenue prospects, profitability and even company viability. The Fund receives criticism from members and the wider public for not confronting this matter. The Fund is perceived to have failed to comply with the law and statutory guidance on addressing climate change as a financial risk.						
Controls	Climate change is recognised as a specific financial risk in the Fund's Investment Strategy Statement and Corporate Governance and Responsible Investment Policy. The documents say how climate change is taken into account in the selection, retention and realisation of investments as part of the wider approach to social, environmental and governance considerations. Carbon footprint review undertaken annually. Climate Change Policy and Net Zero Roadmap in place and TCFD report now produced annually.						
Impact / Likelihood		Negligible		Marginal		Significant	Substantial
Near Certain		Mod		High		Critical	Critical
Probable		Mod		High		Critical	Critical
Possible		Min		Mod xxxxx		High	Critical
Improbable		Min		Min		Mod	High
Net Risk		Moderate		Strategy		Treat	
Action Required	<p>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.</p> <p>Deliver against the actions in the Net Zero Roadmap. Consider our RI Policies in the context of increasing focus on biodiversity and the natural world.</p>						

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

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

Net Risk	Moderate	Strategy	Treat
-----------------	----------	-----------------	-------

Action Required	
------------------------	--

		Ref.	F3	Risk Owner	Principal Pensions Manager	Updated	As G1
Risk	Member data and record keeping is of poor quality due to inadequate data flows from an employer or inadequate data cleansing.						
Impact	<p>Failure to comply with the Public Service Pensions (Record Keeping and Miscellaneous Amendment) Regulations 2014 and Pensions Regulator's guidance. Incorrect benefits could be paid causing reputational damage and fines for maladministration.</p> <p>In extreme cases, poor data could affect Fund valuations as the funding strategy could be inappropriate and the declared funding level incorrect. Failure to meet regulatory deadline for submission of data to GAD.</p>						
Controls	<p>The Pensions Office works with employers to obtain accurate and timely data. A Pensions Administration Strategy is in place. Comprehensive data cleansing and data checks are carried out by the Pensions Office and the Actuary. For the 2022 valuation the Actuary has undertaken a data check. TPR data cleansing strategy first implemented from 2014 for Common Data and Scheme Specific Data in 2018. Most recent scores from 2023 were 99.9% for common data and 99.6% for scheme specific data. Data improvement plan in place. Engaging with employers and informing Committee and Board.</p>						

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

Net Risk	Minor	Strategy	Treat
-----------------	-------	-----------------	-------

Action Required	<p>Implement the actions arising from the 2023/24 data quality assessments audit.</p> <p>Monitor the impact of McCloud and Dashboards on general data quality.</p> <p>Consider introduction of processing task force.</p>
------------------------	---

		Ref.	F5	Risk Owner	Principal Governance & Funding Manager	Updated	As G1
Risk	The Fund is left with a deficit when an employer leaves with inadequate provision for the deficit.						
Impact	Financial loss to the Fund that has to be made up by a guarantor / insurer. In the absence of a guarantor, the funding gap would be met by the remaining employers in the Fund.						
Controls	Use a valuation strategy that reduces deficits as quickly as is reasonable. Consider additional contributions when an employer is known to be leaving the Fund. Obtain guarantees and bonds where possible. Deloitte audit in 2021/22 gave Substantial assurance. The regulations require the payment of a deficiency for all exiting employers. Colleges and Universities have been moved to an intermediate discount rate from the 2019 valuation. Guarantees provided by Northumberland in respect of certain admitted bodies who previously participated in NCCPF. Covenant assessment exercise of all employers undertaken in 2023. FSS updated on new exit regime. Greater use of pass-through arrangements in new admissions.						

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	Complete 2024 covenant review exercise.
------------------------	---

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

Impact / Likelihood	Negligible	Marginal	Significant	Substantial
Near Certain	Mod	High	Critical	Critical
Probable	Mod	High xxxxx	Critical	Critical
Possible	Min	Mod	High	Critical
Improbable	Min	Min	Mod	High
Net Risk	High		Strategy	Tolerate
Action Required	Continue to monitor opt-outs. Roll out enhanced admissions process. Monitor the position on gender pay gap.			

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

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
-----------------	------	-----------------	-------

Action Required	Work with Civica on development and implementation of software solution for McCloud. Monitor the position on future annual benefit statements in respect of McCloud.
------------------------	---

		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. GDPR Action plan produced and all key actions completed by GDPR implementation date. Internal Audit of GDPR and Data Security undertaken in 2018/19 which provided substantial assurance. STC has implemented an e-learning approach to GDPR. A log of all data protection breaches is maintained, which includes action taken to improve. Moving to a third-party printing supplier which reduces the risk of data breaches. Mandatory cyber security and data protection e-learning for all staff. Annual report to Local Pension Board. Staff are required to undertake e-learning modules and completion of these modules is monitored. Implementation plan for Dashboards includes data security.						

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
-----------------	----------	-----------------	-------

Action Required	Review change controls within the Pensions Admin system. Provide a presentation to Committee and Board. Complete a review of the information asset register and document retention schedule.
------------------------	--

		Ref.	L5	Risk Owner	Principal Pensions Manager	Updated	As G1
Risk	The Fund provides inappropriate or incorrect information and guidance to a member.						
Impact	Inferior service to member. Risk of public censure and financial penalties imposed by regulators. Risk of requirement to pay restitution.						
Controls	General issues are addressed through staff training. Staff are advised that the Fund cannot give advice. Ongoing review of communications to ensure that the information guidance offered is in line with regulatory changes.						

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

Net Risk	Moderate	Strategy	Treat
-----------------	----------	-----------------	-------

Action Required	Develop a formal control document for amendments and reviews of template communications. Monitor the position of annual benefit statements in relation to McCloud.
------------------------	---

		Ref.	L6	Risk Owner	Principal Pensions Manager	Updated	As G1
Risk	Failure to provide pension tax related information to members correctly.						
Impact	Penalties and interest payments to the fund and members. Members' tax positions may be compromised.						
Controls	Periodic audits are carried out on management of tax by audit partner. Increased awareness by staff. Information included in ABS and other member communication. A further audit on Tax allowances was undertaken in 2021/22 and no specific actions identified that are not already in place. Members are provided with pensions growth estimate in annual benefits statements to help assess own tax liability.						

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
-----------------	-------	-----------------	-------

Action Required	Annual review of pensions savings statement to ensure the fund provides correct information to members. Monitor the position of tax allowances.
------------------------	---

		Ref.	L7	Risk Owner	Principal Pensions Manager	Updated	As G1
Risk	The Fund fails to identify an issue with the health and wellbeing and financial safety of members.						
Impact	A potential or actual issue arises, and the appropriate action is not taken. Potential negative publicity.						
Controls	<p>Protocol issued to staff in March 2015. Staff are required to report issues upwards to senior management, Legal Team and to the appropriate safeguarding team in the Council and or the Police.</p> <p>Due diligence process on pensions transfers covers pension scams. This took account of the changes and awareness campaign of the Pensions Regulator.</p>						

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

Net Risk	Minor	Strategy	Treat
-----------------	-------	-----------------	-------

Action Required	Review the Protocol and training to be delivered.
------------------------	---

		Ref.	L8	Risk Owner	Principal Pensions Manager	Updated	As G1
Risk	A transfer value is incorrectly managed.						
Impact	Potential for fines by Regulator and Ombudsman, tax charges and adverse publicity. Financial loss by member and potential tax liabilities.						
Controls	Systems reviewed to alert staff and members to position. TPR practices have been adopted. Strengthened disclaimer introduced. Legal and Senior Management review of cases. System in place re Freedom and Choice. Reviews of the transfer procedure have been undertaken and reported to the Local Board. Joined PASA (Pensions Administration Standards Association).						

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
-----------------	-------	-----------------	-------

Action Required	Join Pensions Scams Industry Group pledge.
------------------------	--

		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. Appointeeship process in place for payments to third parties. Participate in NFI programme. Continued use of Tell Us Once and the Scheme's National NI Database have improved control. 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
-----------------	----------	-----------------	-------

Action Required	Review overpayments of pension procedure by Governance & Funding Team
------------------------	---

		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	<p>Ongoing monitoring of the performance of Civica through the use of Change Request Forms, participation in the user group, client manager meetings and monthly issue resolution meetings.</p> <p>Take a risk-based approach to implementation to new versions of the system.</p> <p>Testing and sign off process established following the release of new versions of the software. New contract provides additional controls on performance.</p> <p>Civica has attended Pensions Committee when required.</p> <p>IT Change Management Audit undertaken in 2022/23 with substantial assurance.</p>						

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

Net Risk	Moderate	Strategy	Treat
-----------------	----------	-----------------	-------

Action Required	Consider moving from an Oracle based product to an SQL product and consider hosted / not hosted. Implement ICT Change Management audit recommendations. Ensure compliance with 'the General Code'.
------------------------	--

		Ref.	S3	Risk Owner	Principal Pensions Manager	Updated	As G1
Risk	Failure to develop and introduce improved working practices across pensions processing, particularly increased automation and electronic processing and communication.						
Impact	Increased costs of processing. Additional processing backlogs arise. Statutory targets and local performance indicators are not met. Inferior service to employers and members. Risk of public censure and financial penalties imposed by regulators. Risk of requirement to pay restitution.						
Controls	<p>Development plans are in place but delayed due to high levels of workload and impact of hybrid working and turnover of staff.</p> <p>Monitor progress and report to Committee and Board. The option of submitting data in hard copy has been removed for employers and where appropriate electronic means are available for Scheme members.</p> <p>Monitor progress against service plans and continue to report to Committee.</p> <p>The development team will focus on driving developments forward and identifying areas for improvement.</p> <p>Availability of consultancy time is included in the budget.</p>						

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

Net Risk	High	Strategy	Treat
-----------------	------	-----------------	-------

Action Required	
------------------------	--

		Ref.	S6	Risk Owner	Head of Pensions	Updated	As G1
Risk	Key people leave, and this places a strain on remaining resources to cover the role and responsibilities.						
Impact	Failure to deliver an adequate service. Increased stress and pressure of working.						
Controls	Structure kept under review. Continual review by senior managers of succession planning. Training programmes in place. Manuals and service planning in place. Annual Review process in place						

Impact / Likelihood	Negligible	Marginal	Significant	Substantial
Near Certain	Mod	High	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	Review succession planning.
------------------------	-----------------------------

		Ref.	S7	Risk Owner	Principal Pensions Manager	Updated	As G1
Risk	Performance against Disclosure Regulations fails to deliver at an appropriate level.						
Impact	Breach of Regulations. Risk of adverse publicity. Censure by TPR, IDRPs and Pensions Ombudsman. Risk of financial penalties.						
Controls	Structure provides focus and responsibility in defined areas. Employer Services team will introduce improved liaison and training for employers. Managers reporting back to senior management who in turn report to Committee and Board. Training is available. (Note a strict interpretation is that 100% is required, but this will never be achieved). Implemented new management information. Breaches policy in place with monitoring in place. Utilising automation and digitisation wherever possible.						

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

Net Risk	High	Strategy	Treat
-----------------	------	-----------------	-------

Action Required	Continue to develop staff.
------------------------	----------------------------

		Ref.	S9	Risk Owner	Head of Pensions	Updated	As G1
Risk	Insufficient resources create problems in service delivery.						
Impact	Issues with service delivery and meeting performance standards. This can also lead to significant backlogs building up. Additional work re Pooling until all assets are invested with BCPP which may impact on staff time. In addition, the move to hybrid working impacting the productivity of the service.						
Controls	Monitoring structure and key person risk. Training in place. Work flexibly re staff allocation. Working overtime selectively. Temporary staff are being used. Moved to electronic processing and member web has improved efficiency. Risk based approach applied to processing.						

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

Net Risk	High	Strategy	Treat
-----------------	------	-----------------	-------

Action Required	<p>Continue to develop staff.</p> <p>Develop a skills matrix to identify knowledge gaps.</p>
------------------------	--

		Ref.	S10	Risk Owner	Principal Pensions Manager	Updated	As G1
Risk	Failure to fully rectify the members GMP values following the GMP reconciliation process.						
Impact	Potential for payment of pensions without an entitlement. May overpay or underpay pensions increases. Additional liability for the Fund.						
Controls	Software has been purchased to review and reconcile data. This exercise is complete. Now the new software contract is in place the Fund will explore purchasing the rectification module to first establish all underpay or over payments.						

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

Net Risk	Moderate	Strategy	Treat
-----------------	----------	-----------------	-------

Action Required	Need to undertake the full rectification.
------------------------	---

		Ref.	S12	Risk Owner	Head of Pensions	Updated	As G1
Risk	There is a risk of a Cyber Security attack corrupting systems and data and or stealing data. (See also L4 GDPR).						
Impact	There would be a service and reputational impact. Fines could be levied if inappropriate controls are considered to be in place.						
Controls	<p>The Fund fits within the Councils main control environment. Business continuity plans are in place. The Council is Public Service Network compliant, with an annual test. The Pension Fund administration system has an independent penetration test. High level of staff awareness of malicious emails. Corporate review of Business continuity plans ongoing, Pensions staff participating. Sit on Council's Cyber Security Working Group. A presentation on Cyber Security has been made to the Board and the Committee. During the Covid-19 pandemic the ICT department introduced additional controls over emails received and home working arrangements. STC has provided mandatory e-learning training modules on cyber security. 2022 Audit of Cyber Security came back with substantial assurance. Staff are required to undertake e-learning modules and completion of these modules is monitored. Cyber security added to the work programme for the Local Pension Board.</p>						

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

Net Risk	High	Strategy	Treat
Action Required	<p>Continue to participate in Business Continuity Review and to meet with ICT. Deliver Cyber Security Training to Pensions Committee and Local Pension Board.</p>		

		Ref.	S13	Risk Owner	Principal Pensions Manager	Updated	As G1
Risk	The Fund's electronic web services are not available to either individual members or employers.						
Impact	<p>Individual members cannot access services online. This results in a reduced service to members and increases pressure on other modes of communication and information provision such as the helpline and by post.</p> <p>Employers cannot provide information to the Fund to process benefits and effectively maintain member records.</p> <p>Reputational impact if the system is continually unavailable.</p>						
Controls	<p>System scans and regular penetration tests are in place to ensure web services is not vulnerable to attack.</p> <p>Testing is in place prior to new modules going live.</p> <p>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.</p> <p>Any errors are displayed on screen, with emails sent to the Platform Team. In addition, Pensions Systems Team have a morning routine to check web services is available. Civica UPM service desk manages any issues with web services with downtime allocated highest priority.</p>						

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

Net Risk	Moderate	Strategy	Treat
Action Required	Review out of hours support in conjunction with system hosting project		

		Ref.	S14	Risk Owner	Head of Pensions	Updated	As G1
Risk	Failure to develop and introduce improved working practices as part of move to Modern Workplace programme, leads to a reduction in productivity.						
Impact	Reduced productivity means that backlogs build up and performance against disclosure requirements and key performance indicators deteriorate. Overall, the service to members and employers suffers.						
Controls	<p>The Council has significantly increased the bandwidth for employees working from home and remotely accessing the Council's systems.</p> <p>A review of processes has been undertaken to streamline operations where possible to make remote working more efficient (for example the uploading of certificates). Staff have returned to the office to ensure a balanced approach to service delivery.</p> <p>Participate in the Council's Modern Workplace Programme</p> <p>Work with ICT and Civica to identify areas for improvement.</p>						

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

Net Risk	Moderate	Strategy	Treat
-----------------	----------	-----------------	-------

Action Required	Management to consider current working practices. Improve management information.
------------------------	---

		Ref.	S17	Risk Owner	Head of Pensions	Updated	As G1
Risk	The Fund's AVC service provider is no longer committed to the LGPS market which impacts on the service standard provided.						
Impact	A deterioration in the service provider's standards could impact on the Fund's own service standards which could also impact on the value of members' benefits.						
Controls	Ongoing monitoring of the service provider with at least quarterly meetings and regular engagement outside of those meetings. Issues raised at national and regional groups. Report made to the Pensions Regulator. Consulting the Fund's Investment Advisor on action to take, including a review of the Fund's AVC service provider. A high-level review by the Investment Advisor in November 2022 stated that the current provider remains acceptable at this time. Due diligence completed in relation to current and potential providers and no further action appropriate at this time.						

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

Net Risk	Moderate	Strategy	Treat
-----------------	----------	-----------------	-------

Action Required	review AVC provision on an annual basis.
------------------------	--

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