

Bath & North East Somerset Council		
MEETING:	LOCAL PENSION BOARD - AVON PENSION FUND	
MEETING DATE:	13 November 2020	AGENDA ITEM NUMBER
TITLE:	Risk Management Update – Risk Register	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Appendix 1 Avon Pension Fund Risk Register Appendix 2 Dashboard		

1. THE ISSUE

1.1. The purpose of this report is to update the Pension Board with the new risk management process introduced in March 2020 and new risk register.

2. RECOMMENDATION

2.1. That the Board notes the report and comments on the Risk Register.

3. FINANCIAL IMPLICATIONS

3.1. There are no direct implications related to the Pension Board in connection with this report.

4. REPORT – NEW RISK MANAGEMENT PROCESS & RISK REGISTER

4.1. The risk management process has been reviewed and updated in line with CIPFA guidance, with the introduction of a more robust process for identifying & managing risks. All risks have been reviewed and re-evaluated using a risk evaluation form. Each risk has been allocated a risk owner to monitor the risk and implement mitigation measures. The scoring system used is in line with the Banes corporate guidelines.

4.2. The risk register has been re-designed to make it more user friendly and enable Managers to use it in a more practical way for monitoring risks.

4.3. The risk register identifies the significant risks that could have a material impact on the Fund in terms of value, reputation, compliance or provision of service and sets out the action taken to manage the risk.

4.4. The Risk Register is reviewed every quarter by the pension management team. All risks with a review date are re-evaluated using the evaluation form and updates agreed and made to the risk register. Any new risks identified or changes to any other risks are also considered and the necessary amendments made.

4.5. The new look register including likelihood, impact and mitigating actions is included in Appendix 1 and overview dashboard is attached as Appendix 2.

4.6. Following a recent audit further improvements will be made to the risk management process to ensure a clear correlation between the identification of risks in the Investment, Funding and Administration Strategy documents and the risk register.

4.7. The risks identified fall into the following general categories:

- (i) Fund administration & control of operational processes and strategic governance processes and TPR compliance – mitigated by having appropriate policies and procedures in place, use of electronic means to receive and send data and information
- (ii) Service delivery partners not delivering in line with their contracts or SLAs – mitigated by monitoring and measuring performance
- (iii) Financial loss due to payments in error, loss of assets due to investment strategy and/or managers failing to deliver required return, fraud or negligence of investment managers or custodian – mitigated by processes to reconcile payments, regular review of strategic return and manager performance and annual review of investment strategy, robust legal contracts to protect against fraud & negligence
- (iv) Changes to the scheme – mitigated by project plans with defined milestones and responsibilities, progress reviewed periodically by management team
- (v) Increasing political pressure to reform scheme structure and governance frameworks and direct investment decisions – mitigated by having well defined investment policies and by engaging with the government through the consultation process

4.8. New entries added to the register over the last year are:

- (i) Sustainability of working arrangements during Covid 19 outbreak – All risks have been reviewed and updated to reflect the high impact of the Covid 19 outbreak across many aspects of the Fund. A new risk was added in May 2020 focusing on the sustainability of remote working so that the Fund is able to continue to deliver the service to members and employers.
- (ii) Climate Change Emergency – there is a risk that the Fund does not meet the Council's commitments to this policy. Actions taken to mitigate the risk include a digital strategy to reduce the Fund's carbon footprint and implementation of a low carbon global equity portfolio.
- (iii) IConnect data from employers – following the completion of a data protection impact assessment and subsequent data breach an IConnect Team was set up within the Employer Services Team. Extracts are now loaded inhouse, and controls have been reviewed.
- (iv) McCloud/Sargeant Judgements resulting in the extension of protections Although primary legislation is not expected until April 2022 work is underway to develop a comprehensive project programme with multiple workstreams contained within it. Initial analysis has been carried out to identify the number of members that are impacted by the consultation proposals, the action required to implement the remedy and which employer they fall under. The current priority is to collect missing data from employers in respect of working

hours and details of service breaks, since 1 April 2014, for all members in scope of protection.

- (v) Exit credits - disputes between exiting employer & outsourcing employer - All new admission agreements identify if the risk has been transferred at the outset.

4.9. Other updates to risks for noting during this period include:

- (i) the introduction of the exit payment cap - the risk score has increased due to the publication of the response to the consultation and subsequent implementation of regulations on 4 November 20. Considerable changes to the administration procedures for processing redundancy retirements will be required.
- (ii) Late payment of contributions from employers - there is no significant increase in terms of employers paying contributions late. The top 34 employers contributing into the fund continue to pay on time. Close monitoring continues as the situation evolves
- (iii) Recruitment of staff - phase one of the recruitment on the Administration started in September 20 and one of the vacant Investments posts has been filled.

5. EQUALITIES

5.1. A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

6. CLIMATE CHANGE

6.1. The Fund is implementing a digital strategy across all its operations and communications with stakeholders to reduce its internal carbon footprint in line with the Council's Climate Strategy. The Fund acknowledges the financial risk to its assets from climate change and is addressing this through its strategic asset allocation to Low Carbon Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Committee.

7. CONSULTATION

1.1 Reports and its contents have been discussed with the Head of Business Finance & Pensions representing the Avon Pension Fund and Service Director – One West representing the administering authority.

Contact person	Carolyn Morgan - Governance & Risk Advisor – 01225 395240
Background papers	
Please contact the report author if you need to access this report in an alternative	

format