

Bath & North East Somerset Council			
MEETING:	AVON PENSION FUND COMMITTEE		
MEETING DATE:	26 March 2021	AGENDA ITEM NUMBER	11
TITLE:	Annual Review of Risk Management & Register		
WARD:	ALL		
AN OPEN PUBLIC ITEM			
<p>List of attachments to this report:</p> <p>Appendix A – Risk Register comparison 2020 to 2021</p> <p>Appendix B – full Risk Register as at March 2021</p> <p>Appendix C – Dashboard as at March 2021</p>			

1. THE ISSUE

1.1. The purpose of this report is to provide the Committee with a review of the risk management process and risk register for the period March 2020 to March 2021.

2. RECOMMENDATION

2.1. That the Committee notes the report.

3. FINANCIAL IMPLICATIONS

3.1. There are no financial considerations to consider.

4. REPORT

BACKGROUND - RISK MANAGEMENT PROCESS & RISK REGISTER

4.1. 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.

4.2. 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.

4.3. 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) Employer risk in event an employer is unable to meet their obligations – mitigated by appropriate funding strategies and policies, covenant monitoring and employer engagement.
- (v) Changes to the scheme – mitigated by project plans with defined milestones and responsibilities, progress reviewed periodically by management team
- (vi) 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

ANNUAL REVIEW OF RISK MANAGEMENT & REGISTER

4.5 In summary, over the last year, all risks have been reviewed at least once and there have been the following changes:

- 1 new risk added
- 5 risks removed or combined with other risks
- 10 risk scores increased
- 4 risk scores decreased
- 16 risks remained unchanged

The detail of the changes can be found in the Risk Register Comparison in Appendix A. The full risk register as at March 2021 can be found in Appendix B & Dashboard in Appendix C.

4.6 The main increases to risks throughout the year were:

- (i) A risk was added to the register in May 2020 to reflect the difficulties for the Fund in sustaining homeworking arrangements during the Pandemic. The situation continues to be monitored with risk assessments carried out for all staff, processes reviewed & digital solutions implemented where possible. New IT equipment for all staff will be rolled out in 2021 and a new digital strategy will be planned over the next year.
- (ii) Other risks were also affected by the uncertainty caused by the Pandemic particularly around the possibility of lower investment returns and the covenant of scheme employers. Although the risk scores have increased as markets remain volatile, significant market recovery has led to the Fund recovering 1Q20 losses. The Fund's portfolio is positioned defensively with risk management strategies in place to mitigate risks where possible and protect capital. A workplan is in place to monitor employer covenant over the year ahead.
- (iii) Scheme regulations also caused uncertainty particularly with the introduction of the Exit Payment Cap which has now been temporarily revoked and the ongoing McCloud rectification project. Preparation work has been put in place, but the increased administration burden will continue to be a challenge as further regulation and guidance is awaited.

4.7 Some of the actions taken to mitigate risks during the year were:

- (i) Although Climate Change still represents a significant risk to the Fund, by including specific net zero and carbon targets in the investment strategy and increasing investment in sustainable equities and renewable energy assets risk score has reduced slightly.
- (ii) Significant work has been done to improve the controls for IConnect following a data breach in 2019. Following an audit of the system and a data protection impact assessment an IConnect Team was set up and new tools are being developed to improve the system controls further.
- (iii) Regulations changed regarding the payment of exit credits to employers in March 2020. A robust policy has been written & agreed by Committee in December 2020 setting out the Fund's determination process to comply.

4.8 One of the risks that has remained a challenge during the year is:

- (i) Recruitment of staff continues to be a challenge for the Fund. A phased recruitment campaign has been in operation since September 2020 and is making good progress. The inclusion of a full time training role has been a great success in rolling out induction and ongoing training to new recruits and existing staff.

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. The Council's Monitoring Officer and Section 151 Officer have had the opportunity to input to this report and have cleared it for publication.

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Background papers	None
Please contact the report author if you need to access this report in an alternative format	