

Bath & North East Somerset Council		
MEETING:	LOCAL PENSION BOARD - AVON PENSION FUND	
MEETING DATE:	21 September 2021	AGENDA ITEM NUMBER 6
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 latest risk register as at 31 August 2021.

2. RECOMMENDATION

2.1. That the Board notes the report.

3. FINANCIAL IMPLICATIONS

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

4. REPORT – 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 risk register including likelihood, impact and mitigating actions is included in Appendix 1 and overview dashboard is attached as Appendix 2.

4.4. 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

5. QUARTERLY REVIEW OF RISK MANAGEMENT & REGISTER

5.1. Following the quarterly review of the risk register one of the risk scores was increased as follows:

5.2. R01- Disaster Recovery & Business Continuity

The score has been increased from:

Likelihood – unlikely & Impact – medium = score of 6

To Likelihood – likely & impact – medium = score of 9

This is to reflect the fact that the Business continuity plan is currently being reviewed by Audit. Plus following the cyber security benchmarking exercise completed with AON we are currently analysing the results and further internal assurances will be required from IT. An action plan will be developed and a full report taken to Pension Board in Nov 2021 & Committee in December 2021.

5.3. Other risks reviewed this quarter were:

5.4. R57 – Introduction of Cost Transparency Disclosures

Full disclosure for FY2020/21. All managers are now reporting in line with CTI templates although not all managers reporting in a consistent manner. Different templates for private and public assets make data consolidation difficult and manually keying data increases risk of human error. Templates do not reflect all pricing conventions e.g. where fees are charged to NAV on a daily basis as opposed to being charged based on an average value over a predefined period. Some managers reported based on legacy CTI templates, others submitted their templates in PDF so had to manually convert data and pooled fund managers continue to report based on fund level (not individual client level). Some managers had to be prompted to submit the data and the use of the SAB platform is sporadic. Differences between CTI disclosures and fees reported as part of Statement of Accounts largely due to timing (where we estimate some fees in SoA to meet statutory deadlines).

5.5. R59 – I-Connect data from Employers

I-Connect portal now has tolerances that stop the data loading and allow APF to accept or reject a load, enabling loading to be handed back to some employers whilst retaining control of the process. Plans are being developed to hand back loading to Employers throughout 2021/22. Risks will be reviewed again as part this process.

R07 – Communication

The Fund recently introduced mass email communication for the first time, which was used in May/June 2021 to communicate with Deferred members regarding the introduction of Annual benefit statements being available to download from My Pension Online. This will be extended to Active members next year alongside a campaign to extend email communications to a greater portion of the membership. The risks associated with communicating in this way have been considered, with additional resource and controls being set up to deal with the increase in communication from members as a result of having to access the portal to read their statements.

6. EQUALITIES

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

7. CLIMATE CHANGE

7.1. 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.

8. 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	