

| <b>Bath &amp; North East Somerset Council</b>  |  |                           |
|--|--|---------------------------|
| <b>MEETING:</b>  | <b>LOCAL PENSION BOARD - AVON PENSION FUND</b> |                           |
| <b>MEETING DATE:</b>   | <b>20 February 2024</b>                        | <b>AGENDA ITEM NUMBER</b> |
| <b>TITLE:</b>  | <b>Risk Management Update – Risk Register</b>  |                           |
| <b>WARD:</b>   | ALL  |                           |
| <b>AN OPEN PUBLIC ITEM</b>   |  |                           |
| List of attachments to this report:<br><b>Appendix 1 – Risk Register</b><br><b>Appendix 2 – Risk Register – Framework &amp; High level summary</b> |  |                           |

**1.**

**THE ISSUE**

- 1.1. The purpose of this report is to update the Pension Board with the quarterly review of the risk register.

**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 Fund has in place a documented risk management policy setting out the Fund’s approach to risk, process for review, and update of the risk register. It also sets out the roles and responsibilities of those involved in management of risk including the role of the Pension Board and Pension Committee.
- 4.2. The risk framework introduced to assist risk owners to assess the risk and score. This is attached as appendix 2.
- 4.3. Following feedback from Pensions Committee and Pension Board members, pre mitigation scores have also been added to the risk register.
- 4.4. A high level matrix showing the distribution of risks by score is attached as appendix 2.
- 4.5. The complete risk register is attached as appendix 1.
- The risk register identifies risks which could have material impact on the APF in terms of service, value, reputation, or compliance. It sets out mitigating actions.

- The risk register is reviewed quarterly by APF management and reported to the Pension Committee and Pension Board every quarter.
- All risks are also reviewed quarterly or when there has been a material change.
- Risks fall into the following categories, owned by the relevant member of the APF management team:

| Category of Risk    | Risk Owner                     |
|---------------------|--------------------------------|
| Administration      | Pensions Manager               |
| Regulatory          | Technical & Compliance Advisor |
| Governance          | Governance & Risk Advisor      |
| Employers (Funding) | Funding & Valuation Manager    |
| Employers (Data)    | Employer Services Manager      |
| Investments         | Investments Manager            |
| Finance             | Finance & Systems Manager      |

## 5. QUARTERLY REVIEW OF RISK REGISTER

5.1. As part of the quarterly review the pre mitigation scores have been reviewed and a couple adjusted as follows:

- Risk NR04 – Governance of Fund, the pre mitigation likelihood has been increased from likely to almost certain to reflect the risk of internal controls not being sufficient.
- Risk NR08 – Employers unable to meet financial obligations, the pre mitigation likelihood has been changed from possible to likely to reflect the fact that the underlying risk has increased.

5.2. Other changes made to the post mitigation scores this quarter are:

- Risk NR18 - Unforeseen events or service issues leads to reputational damage to the Fund amongst its stakeholders. On review the impact has been reduced from high to medium impact to reflect the mitigating actions taken.
- Risk NR08 – Employers unable to meet financial obligations to Fund. The impact has been reduced from high back to medium as there is now more certainty that if a Local Authority fails it will be regulatory to pay employer contributions.

5.3. Our most critical risks remain:

- NR01 – Ability to deliver admin service to members and employers within agreed standards. The current factors impacting this risk are set out in item 13 – Pension Fund Administration report.
- NR06 – the likelihood of a cyber attack remains a high risk due to the recent high profile attacks in the public domain. The Fund is currently implementing further audit actions around staff awareness and education and will shortly carry out a review of its business continuity plan.
- NR04 – Governance of Fund not in accordance with APF policies Controls not adequate. Internal audit continue to assist in checking of internal controls.

**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 Paris Aligned Global Equities, Sustainable Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Pensions Committee and the Fund’s climate targets are being reviewed and will be changed before the end of 2023.

**8. CONSULTATION**

8.1. The Report and its contents have been discussed with the Head of Pensions representing the Avon Pension Fund and the Service Director – One West representing the administering authority.

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| <b>Background papers</b>   |   |
| <b>Please contact the report author if you need to access this report in an alternative format</b> |   |