

WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD
05 May 2022

WILTSHIRE PENSION FUND RISK REGISTER

Purpose of the Report

1. The purpose of this report is to update the Board in relation to changes to the Fund's Risk Register (see Appendix).

Background

2. The Committee approved a Risk Register for the Wiltshire Pension Fund at its meeting on 12 May 2009. A reconfiguration of the Risk Register took place during 2019 to make it a more dynamic document and the new design was approved by the Committee on 18th July 2019. Members requested that whilst a full Risk Register is maintained by officers only the following risks need to be highlighted to Committee on a quarterly basis.
 - New risks;
 - Risks which have changed or been re-categorised;
 - Risks which are rated red; and
 - Risks which are considered to have been mitigated & stabilised & can be recommended for approval to the register's ceased/dormant category for continued monitoring by officers only.
3. Under the reconfigured Risk Register strategy, the identification of risks will be more evidence based using the Scheme update, Business Plan, Audit recommendations, Minutes of meetings, the Fund's KPI dashboard and the Brunel and investment pooling data as sources of information for risk identification.

Key Considerations for the Committee / Risk Assessment

4. The significance of risks is measured by the interaction of the likelihood of occurrence (likelihood) and the potential impact of such an occurrence (impact). This register uses the Council's standard "4x4" approach, which produces a risk status of Red, Amber, or Green (RAG).
5. During April 2022 the Chair of the Committee provided general feedback on the risk register. Along with the recommendations made by SWAP in their audit report in March 2022, the Chair's feedback has been reflected within the register and where this has resulted in a change to the risk rating, that change has been made.
6. In addition to the Chair's feedback on the Fund's risks themselves, feedback was also provided on the risk framework within which the Fund manages its risk register. Officers note that they accept many of the recommendations made by the Chair and will include these within a wider review of the Fund's risk management framework, due to commence on publication of the Pension Regulator's new Single Code of Practice. This review will in turn form part of the Fund's new Effective System of Governance.
7. During the last quarter no "new risks" were identified.

8. The evidence-based review of the register identified the following risk had changed or need to be recategorized.

- **PEN009: Failure to comply with Data Protection Legislation (GDPR & Data Protection Act 2018):** (From Green to Amber) Based on the findings of the SWAP audit report published in March 2022, this rating has been increased to reflect progress concerning the execution of the Fund's data retention and system access practices.
- **PEN011: Lack of expertise of Pension Fund Officers and Service Director, Finance:** (From Green to Amber) Based on a Committee recommendation, following a review of the risk register this risk rating has been increased. The recommendation appears to consider that there is a likelihood that there may be gaps in officer expertise due to the outsourcing of casework and other strategic projects to 3rd party administrators. Move from Closed to Ongoing.
- **PEN012: Over-reliance on key officers:** (From Green to Amber) Based on a Committee recommendation, following a review of the risk register this risk rating has been increased. The recommendation appears to consider that there is a likelihood that there may be gaps in officer expertise generally, placing an over-reliance on certain officers to cover for colleagues. Move from Closed to Ongoing.
- **PEN030: Failure to procure & contract manage service providers appropriately:** (From Green to Amber) Based on a Committee recommendation, following a review of the risk register this risk rating has been queried. The recommendation appears to consider that there is a likelihood that this risk is not being appropriately rated, when considering against the potential failure of oversight which may exist, where the charges levied by the Authority, as one of the Fund's top five service providers are not being quantified appropriately by means of service level agreements, or measures of performance. However, this may be an oversight as this risk had already been increased to Amber last December. Move from Closed to Ongoing.
- **PEN037: Failure to implement a strategy to address the administration backlogs:** (From Amber to Red) Based on the findings of the SWAP audit report published in March 2022 the strategy to review the administration backlogs was reconsidered and an updated strategy included within the Fund's 2022/23 business plan. The primary aim of the new strategy will be to outsource the backlog to 3rd party administrator, with a view to clearing it over the next 12 months.

9. Risks remaining "red", high risk:

- **PEN018: Failure to set in place appropriate Cyber Security measures:** (Red) In accordance with Committee Minute 90, dated 16 December 2021, the Fund's cyber security risk rating was increased to red until the Fund receives sufficient assurance from the Council's IT Dept. that this risk is being fully managed. Whilst measures are believed to be in place, active assurance is still required. An external consultant is being appointed to provide members with an independent professional opinion on how this risk should be managed.
- **PEN022: Rectification of records with GMP and non GMP issues – Time-consuming, costly & may causes reputational damage:** (Red) Potentially incorrect liabilities being paid by the Fund because of GMP and other pension component values missing, incorrectly recorded, or incorrectly valued. Consequently, progress with the Pensioner Payroll Database reconciliation project may impact on the Fund's liabilities and its reputation.
- **PEN042: Significant retrospective legislation changes related to the McCloud case:** (Red) Following the release of the Government's consultation

document in July 2020 analysis of the Scheme's members who may be affected was undertaken. Indications suggest that potentially c27k members may be affected, as well as increasing the work on several supplementary administrative tasks. The impact actuarially speaking is likely to be minimal. Final regulation is expected by October 2023 and officers have put in place a project plan to gather the data required to fulfil the regulations. Members requested that it be kept as a red risk until the administrative impact is completely clear.

- **PEN048: The transition of the pooling of LGPS assets with BPP fails to deliver the projected savings:** (Red) Progress and updates should continue to be regularly reported to Committee. An independent audit was conducted in 2021 and has been presented to the Board & Committee for consideration. A further audit has been commissioned for 2022.

10. It is recommended that the following two risks removed from the Dormant/Closed & Dynamic statuses and be deleted from the register on the basis that they are no longer relevant. These risks are.

- **PEN024: The implementation of Brexit causes investment volatility or unexpected legislative changes:** No longer relevant (Green).
- **PEN047: There is uncertainty around the ability of Brunel to resource its property portfolio offering:** No longer relevant (Green).

Financial Implications

11. No direct implications.

Legal Implications

12. There are no known implications from the proposals.

Environmental Impacts of the Proposals

13. There is no known environmental impact of this report.

Safeguarding Considerations/Public Health Implications/Equalities Impact

14. There are no known implications currently.

Proposals

15. The Board is asked to note the attached Risk Register and recommend the changes/actions made by officers in points 8 to 10 to the Committee.

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Unpublished documents relied upon in the production of this report: NONE