

## **WILTSHIRE COUNCIL**

WILTSHIRE LOCAL PENSION BOARD  
27 October 2022

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### **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 existing Risk Register (Appendix 1).
2. The report also introduces the newly designed risk register. The aim of which is to be more operationally embedded, whilst retaining a strategic capability to mitigate non-operational risks to the Fund.

#### **Background**

3. The Committee's current Risk Register was approved in July 2019, with the aim of making it a more dynamic document, maintained by officers, and focused on highlighting to the Committee the key risks on a quarterly basis. These risks were defined as:
  - New risks:
  - Risks which have changed or been re-categorised in the last quarter:
  - Risks which are rated red: and
  - Risks which were agreed to be monitored by officers only.
4. Under the Committee's 2019 instruction the risk assessments were to become more evidence based too.
5. However, the move to a more dynamic framework meant that an increased number of risks started to be recorded, leading to a development in the risk register which was seen as over complicated and not easy to manage. As a result, it was agreed to design a new risk register aimed at being operationally focused, whilst retaining the strategic capability to mitigate any non-operational risks.
6. Whilst still in a concept stage the new risk register design will be unveiled at this Board meeting and presented to members. Officers will begin trials on the new design over the next 3 months, running it in parallel with the existing risk register, with a view to the existing risk register being stood down in the early part of 2023. Whilst the new risk register will be primarily maintained by officers, this presentation will allow members an opportunity to comment on the new design prior to its full adoption.
7. Members are reminded that whilst the new risk register is primarily maintained by officers, ultimate responsibility for the management of the Fund and any risks it may be exposed to remain with the Pension Fund's Committee.

#### **Key Considerations for the Board / Risk Assessment**

8. Members are reminded that the existing risk register measures risks based on the interaction between the likelihood of occurrence (likelihood) and the potential impact of that occurrence (impact), using the Council's standard "4x4" approach and producing a risk status of Red, Amber, or Green (RAG). However, under the new design a "Yes" or

“No” operationally embedded approach to risk scoring has been added to the Council’s adopted standard.

9. In effect, a monthly, quarterly, or annual review is completed by officers in relation to each activity undertaken and whether it has been completed. These activities carry a risk weighting relative to their wider relationship to all other risks identified by the Fund’s management and warning flag is recorded where an activity has not been fulfilled. Using a similar RAG rating formula to that stated in paragraph 8 the Compliance, Risk & Operational Controls (CROC) Group will then review the initial RAG ratings generated by each activity and determine whether the overall risk rating has been correctly assessed. These moderated ratings then feed into one of the 20 risks submitted to the Local Pension Board and Committee for their consideration.
10. To accompany the CROC Group’s assessment, a note will be included in the final column of the new risk register highlighting the key factors involved in that risk’s assessment. Additionally, the CROC Group will also assess any strategic risks relating to any external or non-operational activities impacting the Fund. These will also be included in one of the 20 risks submitted to members.
11. Regarding the assessment of risks using the existing risk register, which will remain operational until the new register is fully adopted, the risks assessed are set out in paragraphs 12 to 15.
12. During the last quarter the only “new risk” to be identified was:
  - **PEN062: Failure to consider the implications on the Fund of the Cost-of-Living crisis and the geopolitical energy situation:** (Amber) Due to the war in Ukraine and the global economy emerging from the Covid-19 pandemic, a surge in inflation has occurred across the UK and the world. As a result, the cost-of-living crisis and concerns around energy stability may lead to a number of unanticipated outcomes.

This has already been approved by the Pension Fund Committee at their meeting on 6 October.

13. The evidence-based review of the register identified the following risks had changed or need to be recategorized.
  - **PEN018: Failure to set in place appropriate Cyber Security measures:** (Red to Amber) Following the presentation by Aon Consulting at the Committee meeting in October, several recommendations concerning Wiltshire Council’s cyber security arrangements were made. However, it was noted that the Council had a reasonable level of cyber & hygiene maturity and consequently it is recommended that this risk rating is reduced. It was felt that Committee members were reassured, noting that a further response would be received from Wiltshire Council ICT Department at their meeting in December.
  - **PEN037: Failure to implement a strategy to address the administration backlogs:** (From Red to Amber) Good progress has been made against the findings of the SWAP audit report published in March 2022. Implementation of the administration backlog strategy in line with the Fund’s business plan has taken place with the appointment of 3<sup>rd</sup> party service provider. Monitoring the clearing of the backlog over the next 12 months can now take place, accompanied by the introduction of an improvement plan by officers.
  - **PEN054: Failure of Brunel to maintain an effective operating model for Private Market Investment Portfolio's:** (From Green to Amber) A recent

departure from the Private Equity team has left Brunel without cover, for a second time in Private Markets. Officers will monitor BPP in relation to any appointments, as well as how they manage this team. Move from Closed to Ongoing.

14. Risks remaining “red”, high risk:

- **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. It is anticipated that the recent outsourcing of this work may reduce this risk moving forward.
- **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.

15. It is recommended that the following risk is moved from Horizon to Dormant/Closed.

- **PEN044: Change to valuation cycle:** (Green) This is based on the evidence that no activity has occurred on this subject since DLUHC’s consultation document in May 2019.

### **Financial Implications**

16. No direct implications.

### **Legal Implications**

17. There are no known implications from the proposals.

### **Environmental Impacts of the Proposals**

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

### **Safeguarding Considerations/Public Health Implications/Equalities Impact**

19. There are no known implications currently.

### **Proposals**

20. The Board is asked to note the attached Risk Register and recommend the changes/actions made by officers in points 12 to 15 to the Committee.

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