

Review of the Pension Fund Risk Register

Report of the Strategic Finance Director

Introduction

The Administering Authority is required by the Local Government Pension Scheme (LGPS) Regulations to maintain a Funding Strategy Statement (FSS) and to keep it under review. The FSS is always reviewed as part of the Triennial Valuation.

In preparing the FSS, the LGPS Regulations require the Administering Authority to have regard to the best practice guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). This guidance includes the need to identify risks relating to the Pension Fund and the measures or controls to be taken to help counter those risks.

The Risk Register was last reviewed by the Pension Committee in August 2016 and will also be considered at their next meeting on 29th March 2017. Following feedback from the Pension Board the Pension Committee have agreed that in future a report on the Risk Register will be considered at each of their regular quarterly meetings.







The Pension Board considered the Risk Register at their last meeting in October 2016.

Report

The attached Risk Register reflects the risks relating to the Pension Fund and indicates the significance of each risk.

The significance of individual risks is measured by a scoring system which multiplies the likelihood of the occurrence with the potential impact of such an occurrence. Both “likelihood” and “impact” are scored 1 – 5 and after multiplying both numbers together, the higher the product, the higher the risk.

Based on these scores, the following summarises the risk levels, from low, to high.

Level of Risk	Score	Colour		
Low	1 – 6		Green	
Moderate	7 – 12		Amber	
High	13 – 25		Red	

The following scoring matrix indicates which risk score is produced by multiplying the different levels of “likelihood” and “impact” together. It also defines the different levels of “likelihood” and “impact” represented by the scores of 1 to 5 and illustrates the resultant levels of risk that can be produced.

RISK	IMPACT / CONSEQUENCE				
	(1)	(2)	(3)	(4)	(5)
LIKELIHOOD	Insignificant	Minor	Moderate	Major	Critical
Almost Certain (5)	5	10	15	20	25
Highly Likely (4)	4	8	12	16	20
Probable (3)	3	6	9	12	15
Possible (2)	2	4	6	8	10
Rare (1)	1	2	3	4	5

The attached Risk Register shows each risk, scored before and after controls are in place (i.e. the inherent and residual risks), and also shows the target level for each risk, i.e. the risk appetite, with adverse being low, open being medium and dynamic being high..

The Board asked for some more information on the methodology behind scoring for Impact and this is summarised in the table below

	Impact	Financial	Reputation	Performance
5	Most Severe	> £100m	Govt intervention, Public Enquiry	Non achievement of Key priority
4	Major	£10m to £100m	Adverse national or sustained local media interest	Key priority impaired
3	Moderate	£1m to £10m	One off local media interest	Impact contained within one service area
2	Minor	£100k to £500k	A few complaints. No media interest	Little impact but some disruption
1	Insignificant	< £100k	Minor complaints	No impact on service

The risks are referenced as follows:

Financial Risks (F)

Funding / Demography Risks (F/D)

Administration / Regulatory Risks (A/R)

Governance Risks (G)

The Risk register has been reviewed. No new risks have been added but the "Period Comments" and "Further Actions" columns have been updated for a number of Risks.

Recommendation

The Board are asked to review the attached Risk Register, including the amendments identified above.

Contact Officer

Graham Burrow (01452 328944)