



LOCAL PENSIONS BOARD

3 December 2024

Subject Heading:

**PENSION FUND RISK REGISTER
UPDATE**

SLT Lead:

**Kathy Freeman, Strategic Director
Resources**

Report Author and contact details:

Debbie Ford
Pension Fund Manager (Finance)
01708432569
Debbie.ford@havering.gov.uk

Policy context:

Financial summary:

SUMMARY

The Local Pension Board (LPB) receive feedback from the Pensions Committee in respect of the Risk Register (Appendix A) presented and agreed at its 5 November 2024 meeting.

The LPB focus future reviews with regard to Appendix B which sets out a summary of risks, which includes Strategic/Operational classification alongside shows post mitigation scores (in order of likelihood/impact)

RECOMMENDATIONS

The Local Pension Board:

1. Determine the process for ongoing monitoring of the Risk Register

2. Agree to focus review of risks classified as operational and in the order of those risks with the highest score moving to lowest score
3. Recommend any updates to the Risk Register

REPORT DETAIL

1. Background

- 1.1 Risk management is a key responsibility of those charged with Pension Fund Governance and the need for effective risk management is reflected throughout Local Government Pension Scheme (LGPS) guidance and regulation.
- 1.2 The Pensions Regulator (TPR) General Code of Practice states that LGPS Funds are required to establish and operate internal controls, which are adequate for the purpose of securing that the scheme is administered and managed in accordance with the scheme rules. Before designing internal controls, the governing body should identify risks, record them, and regularly review and evaluate them. The evaluation of risks will help the governing body determine which risks require internal controls to be put in place to reduce their incidence and impact.
- 1.3 The Committee was updated to the changes made to the risk register since it was last presented in 7 November 2023, including the feedback from the benchmarking exercise. The Committee welcomed the summary analysis as recommended by the LPB as set out in Appendix B.
- 1.4 As a reminder, **Actions from Local Pension Board meeting - 27 February 2024:**
 - a. Risk Register: Determine risk appetite – Officers to determine how this will be achieved –**UPDATE: para 1.11 refers**
 - b. Ask Hymans to cast an eye over register and officer scoring – Officers have contacted Hymans for a quote to undertake review – **UPDATE: para 1.13 refers**
 - c. Feedback for monitoring - split risks into Strategic and Operational classifications – Officers have undertaken this action and have determined the following definitions of classifications:
 - Strategic - risks that arise from the decisions that the committee or Fund take concerning the Fund's objectives. Essentially, strategic risks are the risks of failing to achieve these business objectives

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- Operational – risks connected with the internal resources, systems, processes, and employees of the organisation Strategic and Operational Risks - **UPDATE paras 1.11 & 1.12 refer.**
- 1.5 It should be recognised that it may not be possible to eliminate all risks but accepting and actively managing risk is crucial to fulfilling the governance of the Fund.
- 1.6 The Risk Register is a 'live' document and therefore all risks are reviewed quarterly by the LPB to ensure that they remain relevant and that appropriate controls are in place to manage risks where feasible. Any recommendations for change are reported to the Pensions Committee annually.
- 1.7 The Fund uses a matrix to plot risk likelihood and risk impact. 'green' shaded area on the matrix show the risks where there is adequate control. Risks in the 'amber' and 'red' zones are those over which closer control is required.
- 1.8 The Committee considered whether the current statement on the Risk Register "The green shaded area on the matrix shows the risks where there is good control and the Council is comfortable with the risk" should be retained or whether they wish to set an alternative target.
- 1.9 The Committee agreed not to change the statement above but recommended that future reviews focus on risks classifieds as operational and in the order of the post mitigation scores (highest to lowest). Summary of post mitigation scores are set out in Appendix B.
- 1.10 Operational risks being the initial focus to meet TPR requirements of ensuring and establishing internal controls.
- 1.11 The Pension Fund Risk Register is currently being integrated with the Council's Risk management system managed by Internal Audit. The Fund is encouraged that this will provide an oversight of scores as determined by officers. The risk reporting aspect is currently in development and once established will be able to report on a variety of categories that will assist the LPB request for being able to review any areas of focus and a direction of travel can also be incorporated.
- 2.0 Actions to be taken following the 5 November 2024 Pensions Committee meeting (not yet reflected in Appendix A):**
- a) Glossary Key - insert MAT- Multiple Academy Trust
 - b) Risk No.3.4 – Strategic Risk- A negative financial market impacts/external factors/increased market volatility i.e. Recession/inflation amended from GREEN D/3 (Possible/Moderate) to AMBER C/2 (Likely/Serious)

IMPLICATIONS AND RISKS

Financial implications and risks:

There are no immediate direct financial consequences arising as a result of this report. However, understanding the risks that are present in the Fund and how they are managed is essential to the overall strategic management of the Fund and the governance role of the Board.

Legal implications and risks:

Ongoing review and monitoring of the Risk Register will enable the Board to meet its responsibilities in securing compliance with the LGPS regulations and other legislation relating to the governance and administration of the LGPS

Human Resources implications and risks:

None arise from this report

Equalities implications and risks:

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have 'due regard' to:

- i. The need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- ii. The need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
- iii. Foster good relations between those who have protected characteristics and those who do not.

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have 'due regard' to:

Note: 'Protected characterises' are age, sex, race, disability, sexual orientation, marriage and civil partnerships, religion or belief, pregnancy and maternity and gender reassignment.

The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the

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Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health deterrents.

An EHIA (Equality and Health Impact Assessment) is usually carried out and on this occasion this isn't required.

The Council seeks to ensure equality, inclusion, and dignity for all in all situations. There are not equalities and social inclusion implications and risks associated with this decision

BACKGROUND PAPERS

Background Papers List

None