

Appendix B: Risk Summary

Risk Overview

Impact	Critical	0	4	5	0	1
	Major	2	5	5	4	1
	Moderate	1	6	3	1	0
	Minor	0	2	0	0	0
	Negligible	0	0	0	0	0
		Very Low	Low	Medium	High	Very High

Likelihood

Green	23
Amber	11
Red	6

Risk Themes

Ref	Risk Theme	Action / Update	Apr-23	Jul-23
RT4	The Fund Investment Strategy is not appropriate to meet the Funds liabilities and cash flow requirements.	<p>Investment Strategy has been reviewed and advice confirms that the Fund is in a very strong position regarding future funding levels.</p> <p>Property Manager procurement specification will reflect the Fund requirements regarding income and cashflow.</p>	Green	Green
RT5	Insufficient resources to comply with the Administering Authority's Regulatory responsibilities and ability to deliver the business plan.	<p>There is currently a vacancy with work being prioritised and managed across team members.</p> <p>External advice to be provided to consider the changing LGPS landscape and the management of conflicts, key person risks in certain areas, knowledge and training requirements, resourcing, delegations, and accountabilities.</p> <p>Several consultations are expected in 2023/24 along with the Pension Regulator combined Code of Practice which will assist with understanding of obligations.</p> <p>Accounts completed within statutory timeframe and audit is expected to start over the summer.</p>	Amber	Amber

Ref	Risk Theme	Action / Update	Apr-23	Jul-23
RT6	Poor quality data resulting in error and misstatement.	Positive feedback from the Fund Actuary on improvements in data at the 31 March 2022 valuation. Data improvement included within Fund Business Plan for 2023/24. Risk rating reflects impact at whole fund level.	Green	Green
RT7	Officer, Committee and Board knowledge and understanding resulting in poor decision making, disengagement on key issues and loss of professional investor status.	Training provision reviewed and amended to reflect membership and needs of Committee and Board. Vacancy for employer representative on Pension Advisory Board and District and Borough Representative on Pensions Committee. Officers are working to recruit to both positions.	Amber	Amber
RT9	Failure to secure value for money through managing contracts with third parties	Two significant procurements due in 2023/24. Procurement and legal teams within WSCC have been engaged to assist with process and ensure compliance and value for money.	Green	Green
RT11	Conflict of interest for members and employers	Specific Pension Fund Conflict of Interest Policy will be required following implementation of Scheme Advisory Board Good Governance project. Consultation on guidance expected in 2023/24.	Green	Green
RT12	Increase in variety and number of employers participating in the Scheme resulting in risk of non-compliance with obligations.	Numbers of employers have consistently increased year on year. Review of current processes to ensure efficiency planned. 2023/24 Business Plan includes objective regarding engagement with employers.	Green	Green

Ref	Risk Theme	Action / Update	Apr-23	Jul-23
RT13	There is a risk of a successful cyber-attack directly from external threats; or indirectly as a consequence of members or staff falling prey to social engineering or phishing attacks. The potential outcome may lead to service disruption, financial or data loss.	<p>Cyber security is one of the risks on the County Council Pension Fund and applies to the Pension Fund.</p> <p>Officers are taking appropriate advice in considering how risk can be managed/mitigated.</p> <p>Liaising with internal IT team and external providers, including Hampshire County Council to understand procedures in the event of cyber-attack and gain continuing assurance on the actions and mitigations in place.</p>	Red	Red
RT14	Fund not able to implement changes required as a result of McCloud judgement due to insufficient resources, incomplete information held by employers and continued delay from Government on remedy.	<p>Awaiting Government consultation outcome on remedy.</p> <p>Employers have provided data returns to the administration team.</p> <p>Administration team are increasing resource based on their understanding of requirements.</p>	Amber	Amber
RT15	Ability of asset pool to allow participating authorities to execute their locally decided investment strategies.	<p>All liquid assets are now invested via the ACCESS Authorised Contractual Scheme (ACS).</p> <p>Officers actively participating at all levels of the pool to ensure that local requirements are understood and considered.</p> <p>Consultation on pooling published 11 July 2023, which is being considered by officers.</p>	Amber	Amber

Ref	Risk Theme	Action / Update	Apr-23	Jul-23
RT16	Political environment (locally or nationally) impacts on funding and/or investment strategy	<p>Awaiting changes to regulations on Exit Cap, McCloud etc. along with various consultations.</p> <p>Full impact is difficult to quantify until further information/guidance is received from Government and Scheme Advisory Board.</p> <p>Representatives on the Pensions Committee are not appointed to represent the body appointing them or of which they are a member nor any political or personal interest.</p>	Amber	Amber
RT17	Reliance on one contract for majority of investment management through the pool.	<p>Officers continue to engage with the ACCESS Support Unit over the management of the contract with the Operator.</p> <p>Officers are supporting delivery of the ACCESS business plan in preparation for, and the commencement of, the reprocurement of operator services.</p> <p>2023/24 is the penultimate year of the Operator Agreement.</p>	Amber	Amber
RT18	Climate risk has the potential to impact Pension Fund investment returns, inflation and life expectancies.	<p>Task Force on Climate Related Financial Disclosures consultation responded to in autumn 2022. Awaiting outcome.</p> <p>Engagement with managers and consultants to understand Fund exposure to risk.</p>	Amber	Amber

Red Risk Overview

No	Theme	Description	Impact	Control/Action	Update	Impact	Likelihood	Score
PEN 19	RT 5	Pensions team not resourced appropriately	<ol style="list-style-type: none"> 1. Key work deliverables are not completed. 2. Key staff leaving due to workload. 3. Lack of continuity and knowledge transfer. 	<p>Develop succession plan to manage key person risk.</p> <p>Document tasks and develop process notes where required.</p> <p>Review of Pensions Team work plan and resources.</p> <p>Regular team meetings to understand workload pressures and transfer knowledge.</p> <p>Develop training plan for officers.</p> <p>Document tasks and develop process notes where required.</p>	<p>There is currently a vacancy with work being prioritised and managed across team members.</p> <p>External advice to be provided to consider the changing LGPS landscape and the management of conflicts, key person risks in certain areas, knowledge and training requirements, resourcing, delegations and accountabilities.</p>	4	4	16
PEN 46	RT 5	County Council not resourced appropriately to support Pensions functions	<ol style="list-style-type: none"> 1. Key work deliverables are not completed. 2. Key staff leaving due to workload. 3. Lack of continuity and knowledge transfer. 4. Major employer in the Fund not complying with obligations. 5. Reputational risk due to impact on IAS 19. 6. Accuracy of data within accounts. 	<p>Document tasks and develop process notes where required.</p> <p>Understanding of single point of failure.</p> <p>Communication between CC teams.</p> <p>Monitor regular tasks to ensure completion. Agree escalation route with managers.</p> <p>Reviewing practices and processes to maximise efficiency.</p>	Officers are working with County Council to ensure appropriate process are in place to fulfil obligations.	4	4	16

No	Theme	Description	Impact	Control/Action	Update	Impact	Likelihood	Score
PEN 48	RT 5	New County Council financial system implementation impacts workload and resources	<ol style="list-style-type: none"> 1. Delay to implementation of financial system conflicts with valuation and/or end of year work. 2. New system doesn't meet the Pension Fund needs due to lack of resource to fully test. 	<p>Engagement with team working to implement new system to ensure Pension Fund needs are understood which will reduce workload later in the year.</p> <p>Document processes so that non-Pension Team member can test.</p> <p>Workload and resource planning to cover whole team.</p>	<p>Delay to implementation, concern over timeframe and resource given work and resource required.</p> <p>Workload increasing as 'tidy up' of SAP is underway.</p>	4	4	16
PEN 14	RT 7	Level of expertise and ongoing development of the Pensions Committee and Pension Advisory Board does not comply with guidance.	<ol style="list-style-type: none"> 1. Poor decision making 2. Fined by The Pension Regulator 3. Non engagement of Committee and Board members. 4. Inability to invest due to loss of Professional Investor status. 	<p>Maintain and implement Training Strategy which draws on guidance.</p> <p>Monitoring PC, PAB and Officer completion of LOLA and Toolkit.</p>	<p>Training provision reviewed and amended to reflect membership of Committee and Board.</p> <p>External training purchased.</p> <p>Training strategy approved by Pensions Committee.</p> <p>Vacancy for employer representative on Pension Advisory Board and District and Borough Representative on Pensions Committee.</p>	4	4	16

No	Theme	Description	Impact	Control/Action	Update	Impact	Likelihood	Score
PEN 27	RT 13	There is a risk of a successful cyber attack directly from external threats; or indirectly as a consequence of members or staff falling prey to social engineering or phishing attacks. The potential outcome may lead to service disruption, financial or data loss.	<ol style="list-style-type: none"> 1. The Fund suffers significant financial loss or cost. 2. The Fund's reputation is damaged. 3. Member's and employer's trust in the Council is undermined. 4. Partners will not share data or information with the Fund. 5. Punitive penalties are made on the Fund. 	<p>Staff awareness of personal and business information security practices and identification of cyber-security issues including evolving threats.</p> <p>Have processes in place which assist with identifying cyber-attack early, that it is reporting & monitoring is effective, and recovery can be prompt.</p> <p>Robust arrangements in place with all data processors of the Fund's data.</p>	<p>Cyber security is one of the risks on the County Council Pension Fund and applies to the Pension Fund.</p> <p>Officers are taking appropriate advice in considering how risk can be managed/mitigated.</p> <p>Liaising with internal IT team and external providers, including Hampshire County Council to understand procedures in the event of cyber attack and gain continuing assurance on the actions and mitigations in place.</p>	5	5	25
PEN 23	RT 16	Role of government policy on the management and benefits of the Scheme.	<ol style="list-style-type: none"> 1. Changes in legislation 2. Changes to benefit structure 	<p>Keeping up to date with Government progress</p> <p>Maintain links with experts and advisers.</p>	<p>Awaiting changes to regs on Exit Cap, McCloud etc..</p> <p>Expecting other consultations.</p> <p>Representatives on the Pensions Committee are not appointed to represent the body appointing them or of which they are a member nor any political or personal interest.</p>	4	4	16

No	Theme	Description	Impact	Control/Action	Update	Impact	Likelihood	Score
PEN 32	RT 16	Pressure from stakeholders and/or changes in Regulation or guidance results in change to investment strategy due to potential Environmental, Social or Governance factors.	<p>1. Fund Manager investments restricted resulting in impaired investment outcomes.</p> <p>2. Fund challenged regarding fiduciary duty.</p>	<p>Requirement for active engagement by Fund Managers and regular dialogue regarding rationale behind investment decisions.</p> <p>Make the Funds approach to responsible investment available to stakeholders and report on Fund progress to improve communication and transparency.</p> <p>Training for all decision makers regarding obligations and responsibilities</p> <p>Keep up to date with Scheme Advisory Board and Government guidance</p>	<p>Taskforce for Climate related Financial Disclosure (TCFD) consultation responded to in autumn. Awaiting outcome.</p> <p>Public Service Pensions and Judicial Offices Bill accepted in the Lords stating that the Secretary of State can issue guidance that LGPS Funds may not make investment decisions that conflict with the UK's foreign and defence policy.</p> <p>Levelling Up white paper includes references to LGPS funds having plans for up to 5% of assets to be allocated to projects which support local areas.</p> <p>Full impact is difficult to quantify until further information/guidance is received from Government and Scheme Advisory Board.</p>	4	5	20