

Objective	High Level Risk	Detailed Risk	Pre-control Risk Score	Controls	Source of Assurance	Post-control Risk Score	Review Date	Actions Description	Outcome of Review /Changes made	Owner
1.1 To ensure the Fund has an appropriate governance structure	1.1 Failure to have an appropriate Governance structure in place including appropriate policies e.g. Conflicts of Interest	Failure to review Governance standards against suitable benchmark (Government guidance e.g. Code of practice 14)	16	Officers monitor and are aware of various governance standards and changes within them.	DLUHC, IPR, SAB, LGA,	9	Jul-22	Review following IPR revision of code of practice (from 15 codes to 1) and consider internal/external review.	0	All
		Failure of senior officers to have appropriate skills, or knowledge	8	Senior Officers can demonstrate appropriate knowledge, skills and experience	Qualifications and experience of senior officers, "we talk" appointment process, training and development log, CIPFA KSF, TNA	2	Apr-22	Impact of SAB Good Governance Review? Succession planning becoming more important in some areas.	add succession planning into new business plan	MS
1.6 To comply with all legislation relating to Local Government Pensions.	1.6 Failure to adhere to relevant statutory regulations including updates to LGPS	Failure to know about legislative change	20	Regular review of prospective changes through consultations; updates from LGA and intelligence from conferences and advisors	Pension Board, Altair system updates, LGA, Hymans, POGS, Eversheds.	15	Ongoing	Review impact of McCloud, Goodwin, cost cap, exit payment cap to be introduced laste 2021?	0	MS SJ JW
1.6 To comply with all legislation relating to Local Government Pensions.	1.6 Failure to adhere to relevant statutory regulations including updates to LGPS	Failure to implement changes to systems, processes and to document such as required by legislative change	16	Ensure any changes are implemented through changes to documents and procedures as required	Pension Board, Altair updates, communications working groups, CIPFA code and example accounts.	12	Ongoing	Software updates required to assist implementation of regulation changes, manual calculations-impact on resources, SCC ICT infrastructure now upgraded for compliance into 2022.	0	MS SJ JW
1.6 To comply with all legislation relating to Local Government Pensions.	1.6 Failure to adhere to relevant statutory regulations including updates to LGPS	Failure to train staff as required by the legislative change	16	Ensure staff are trained in changes as required.	Pension Board, Internal Audit, team meetings, targeted training, webinars, LGA training	12	Ongoing	need to train staff on impact and practical implementation of significant regulatory change	0	MS SJ JW
2.3 To achieve performance above the return of the 'neutral / tactical' strategic benchmark return, through the appointment of active managers, where appropriate.	2.3 Failure of active managers to deliver outperformance (net of fees)	Failure of SPF/LGPS Central to ensure managers in the same asset class are complimentary	16	Active managers in the same asset class are complimentary. Investment advisors review managers/funds in each asset class periodically.	Consultant involved in product development and due diligence process/PAF-IWG/LGPS Central Joint Committee. Investment advisors produce a suitability report prior to investment. Performance measurer report.	12	Quarterly, with a 5 year focus	LGPS Central agreed to involve Partner Fund representatives in oversight of appointment process (not decision)	0	Pensions Panel
2.3 To achieve performance above the return of the 'neutral / tactical' strategic benchmark return, through the appointment of active managers, where appropriate.	2.3 Failure of active managers to deliver outperformance (net of fees)	Failure of SPF/LGPS Central to consider whether active managers can add value and whether the benchmark and target level of performance allows sufficient scope to deliver their target	16	Active managers are appointed where it is clear they can add value and their benchmark and performance target allow them scope to deliver	Consultant involved in product development and due diligence process/PAF-IWG/LGPS Central Joint Committee/Pensions Panel/Pensions Board	12	Quarterly, with a 5 year focus	LGPS Central agreed to involve Partner Fund representatives in oversight of appointment process (not decision)	0	Pensions Panel
2.4 To ensure that asset classes and managers are understood together with their returns and correlations to each other	2.4 Failure to understand the relationships between asset classes, managers and their correlations to each other.	Failure of SPF/LGPS Central to consider and address the impact of manager correlation	16	Managers strategies are understood to ensure any strategy overlap is minimised	Manager fit is understood on appointment, Manager monitoring, Consultant comments, Performance measurement, Joint Committee, PAF-IWG	12	Quarterly	likelihood increased due to upcoming implementation of new SAA following review.	0	Pensions Panel
2.4 To ensure that asset classes and managers are understood together with their returns and correlations to each other	2.4 Failure to understand the relationships between asset classes, managers and their correlations to each other.	Failure to consider and address any systemic risk factors across the fund	20	Macroeconomic factors are understood, Manager awareness of global trends and potential risk areas. The fund has a long term investment strategy, diversification of investments	Quarterly strategic review, meetings with managers, Consultant comments, LGPS Central/Manager presentations to Pension Panel, Pension Board, PAF IWG.	12	Quarterly	Likelihood increased due to combination of current macroeconomic factors, eg inflation, energy prices, covid, geopolitical events.	0	Pensions Panel
2.5 To ensure the Fund takes account of Responsible Investment (RI) factors in its investment decisions.	2.5 Failure to take account of RI factors in investment decisions	Failure to comply with the FRC UK Stewardship Code	10	FRC UK Stewardship Code (Tier 1 signatory to 2016 code), as are all fund managers, working towards becoming signatory of 2020 revised code	2016 Investment regulations, ISS, LGPS Central, managers contracts contain clause.	10	Annual / October 22	To become signatories of the 2020 FRC UK Stewardship Code, plus SAB guidance	0	TB

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2.7 Understand and consider the difference between the liability benchmark and the 'neutral' SAA	2.7 Failure to understand the changes in the liability benchmark of the Fund and adjust the 'neutral' SAA accordingly	Impact of changes in inflation and its effect on liabilities is not taken into account when setting 'neutral' SAA	12	Cash flows of the fund are monitored quarterly and understood. The fund operates on a liability aware basis.	Actuarial Valuation, annual change in the Funds liability benchmark are reported to the Pensions Panel. Considered as part of the SAA. Asset Liability Modelling.	9	Annual		0	Pensions Committee/ Pensions Panel
2.8 Ensure the efficient transfer of assets to, set up and running of LGPS Central	2.8 Operating costs of the pool exceed budget, staff impacted and anticipated savings do not materialise, impacting Fund performance	Risk of SPF/LGPS Central losing key personnel and knowledge.	16	Ensure other members of staff know how to do all roles and are aware of work on going, including within LGPS Central	Regular strategy and planning meetings to schedule work and priorities, generic job descriptions, succession planning, PAF-IWG	12	Mar-23	LGPS turnover close to 20% Likelihood increased.	0	MS/Team
2.8 Ensure the efficient transfer of assets to, set up and running of LGPS Central	2.8 Operating costs of the pool exceed budget, staff impacted and anticipated savings do not materialise, impacting Fund performance	Failure to have appropriate transition arrangements in place to ensure the continued security of assets and efficient and cost effective transfer of assets into LGPS Central.	20	Transition manager is appointed by LGPS central/SPF, and transition advisor in place.	Procurement through LGPS transition framework. Assistance of Transition Advisor. Custody records and investment team reconciliations and LGPS Central Custodian. PDLG. External and internal audit working group assurance of transitions.	12	Ongoing		0	Joint committee, PAF, TB team
2.8 Ensure the efficient transfer of assets to, set up and running of LGPS Central	2.8 Operating costs of the pool exceed budget, staff impacted and anticipated savings do not materialise, impacting Fund performance	Regulatory Changes in relation to asset pooling impacting LGPS Central or SPF	10	Regulatory change is monitored and consultations are responded to.	DLUHC, Pensions Committee, Hymans, cross pool working groups.	10	ongoing	Review as a result of DLUHC formal consultation and statutory guidance	0	Pensions Committee
3.2 To ensure the solvency of the scheme i.e. to ensure the Fund has sufficient money to meet its benefit outflow (minimum 100% funded in long term)	3.2 Failure to ensure the solvency of the Fund i.e. to ensure it has sufficient money to meet its benefit outflow in the long term (minimum 100% funded in long term)	Failure to identify the extent to which assumptions for demography, pay, inflation or investment returns (including the impact of climate change) explain any funding deficit arising from the previous valuation and to consider whether the assumptions for the current valuation are prudent	16	Valuation assumptions are prudent. An assumptions paper was received from the Actuary for the 2019 Valuation, this compared the 2019 assumptions with those used in the 2016 Valuation.	No issues identified by GAD in respect of actuarial or investment assumptions under their Section 13 analysis, Pension Board, Club Vita. Actuarial assumptions paper presented to Pensions Committee.	16	Triennial	Increased likelihood due to pending 2022 valuation and current volatility in assumptions.	0	MS
3.2 To ensure the solvency of the scheme i.e. to ensure the Fund has sufficient money to meet its benefit outflow (minimum 100% funded in long term)	3.2 Failure to ensure the solvency of the Fund i.e. to ensure it has sufficient money to meet its benefit outflow in the long term (minimum 100% funded in long term)	Failure to document in the Funding Strategy Statement the basis on which the long term cost efficiency of the scheme will be achieved or to identify any exceptions	16	Actuary certified funding strategy is in place following the Triennial valuation, Funding Strategy is consulted on before implementation.	Funding Strategy Statement is up to date and reflects current practice and legislative change, Pension Board, Pensions Committee.	12	Triennial	May need to review FSS following triennial valuation.	0	MS
3.2 To ensure the solvency of the scheme i.e. to ensure the Fund has sufficient money to meet its benefit outflow (minimum 100% funded in long term)	3.2 Failure to ensure the solvency of the Fund i.e. to ensure it has sufficient money to meet its benefit outflow in the long term (minimum 100% funded in long term)	Failure to use stochastic modelling (or other smoothing methodology) to set contribution rates that are relatively stable to ensure the delivery of local services is not unnecessarily disrupted by significant changes in contribution rates	16	Use stochastic models (which take into account changes in assumptions) to smooth out changes in contribution rates (stabilisation)	Consultation responses on Funding Strategy; meetings with employers; Central government/Tax payer underpin	16	Triennial	Increase in likelihood due to upcoming 2022 valuation	0	MS
3.6 To ensure that the existing and prospective liabilities arising from circumstances unique to different scheme employers are taken into account by the Actuary	3.6 Failure to identify, monitor and reflect the unique characteristics of employer's liabilities for setting contribution rates including those employing bodies getting close to having no active members	Failure to have a Covenant Monitoring process in place to take into account the long term financial stability of employers of the fund.	16	Online FLR in place, employer profiling system developed.	Annual review of employer covenants, Actuary, triennial valuation, employer profiling report	12	Dec-22	Fully introducing new system to review ongoing employer funding and risk levels, including review of external system providers		MS/JW
4.1 Deliver a consistently high level of performance and customer service	4.1 Failure to deliver a consistently high level of performance and customer service	Failure to monitor workloads, or backlogs or benchmark staff numbers	20	Staffing numbers are appropriate - monitor workloads; monitor backlogs; benchmark staffing numbers	Review of KPIs by Pensions Committee / Board, Review of published benchmark returns	16	ongoing, Aug 22	Significant amount of regulatory change and the need to implement such, may impact wider service delivery. Increased further by delays in software updates and systems, leading to increased manual calculations. In addition to recruitment and retention issues.		SJ/JW
4.2 To ensure data quality is accurate, secure and protected and critical systems are available at all times	4.2 Failure to ensure data quality is accurate, secure and protected and critical systems are available at all times	Failure to protect against increased physical or cyber threats	20	SCC and partner ICT policies and procedures, Mirror server operation, special environmental controls SCC ICT Policies, internal access controls and Altair security roles. Firewall and anti virus controls. Business Contingency and DR Plans	ICT Audit, DR Testing reviews. GDPR Impact assessment statement for MPP, evidence of current security arrangements held by software provider and security certification levels.	15	May-23	Consider cyber footprint to develop cyber policy. Review insurance in this area. Heywoods, Staffs ICT and Experian.	0	SJ/JW
4.2 To ensure data quality is accurate, secure and protected and critical systems are available at all times	4.2 Failure to ensure data quality is accurate, secure and protected and critical systems are available at all times	Failure of scheme employers to provide contractual hours and service break data, from 1 April 2014 in respect of Mcloud impact changes.	16	Internal project team, software providers update systems to collect data and identify any gaps. Regulatory requirement.	Software reporting.	16	May-23	Project team working effectively, software is being evolved.		JWS/JMS

APPENDIX 4

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		Failure to supply quality information to the National Pensions Dashboard from 2024.	16	Data Quality checks, Actuarial assesment of data quality, software solution.	Club Vita, CIPFA Benchmarking, NFI	9	May-23	Awaiting software solution	Need to step up data cleansing inadvance of dashboard launch.	0
4.4 Ensure administration compliance with regulatory codes of practice and legislation.	4.4 Failure to comply with regulatory codes of practice and legislation.	LGPS regulation changes in relation to fair deal, McCloud & Goodwin. Processing and funding issues (see duplicated on funding tab)	20	Systems updated and adequate staff resource and training in place	KPIs maintained at previous levels	15	May-23	Review and monitor legislative changes	0	SJJW

enhanced admin to pay