

Funding														
Objective	High Level Risk	Detailed Risk	Impact	Likelihood	Pre-control Risk Score	Controls	Source of Assurance	Impact	Likelihood	Post-control Risk Score	Review Date	Change Description	Outcome of Review /Changes made	Owner
3.1 To ensure the Fund has sufficient money to meet its financial commitments in the short term	3.1 Failure to ensure the Fund has sufficient money to meet its payment commitments including benefits, transfers, and investment decisions in the short term	Failure to plan and monitor cash flows daily /monthly /quarterly or to take account of significant regular income/payments or the impact of investment decisions.	4	3	12	Plan and monitor cash flows daily /monthly /quarterly (SAA) including regular benefit outflows and the impact of investment decisions	Cash forecast exists, Cash flows are monitored, Short term borrowing available if required, Pension fund is assessed on a going concern basis (plus EY).	4	2	8	ongoing	Inflation scenario analyses to be considered		TB
		Failure to report cash forecast to Pensions Panel quarterly	2	3	6	Cash forecast reported to the Pensions Panel quarterly	Pension Panel report	2	2	4	Quarterly			TB
		Failure to have appropriate treasury management annual investment strategy approved by the Pensions Panel annually, with due regard to the balance between security, liquidity and yield	4	3	12	Appropriate treasury management strategy with due regard to the balance between security, liquidity and yield approved, also within the ISS cash management strategy.	Treasury Management Strategy report to Pension Panel, Audit	3	2	6	Annual			TB
		Failure to implement the treasury management strategy or to monitor and review implementation	4	3	12	Treasury management staff are qualified, aware of the strategy, operate with the prescribed limits and are appropriately trained (CPD)	Implementation reviewed regularly by the Treasury Management Panel, Audit, Treasury Management adviser.	3	2	6	Ongoing			TB
		Failure to consider the forecast cash flow position of the scheme from the valuation and whether the scheme is cash flow positive in the medium term	4	3	12	Review cash flows from Actuarial valuation and Strategic Asset Allocation, monitor whether scheme is cash flow positive in the medium term (3-5 years)	Actuarial valuation report to Pensions Committee, Pensions Board, ISS, FSS, Annual Accounts, Audit going concern assessment, SAA review (3yrs, Quarterly).	3	2	6	Triennial	Inflation scenario analyses to be considered		MS
		LGPS regulation changes in relation to exit cap, fair deal, McCloud, Goodwin Case and cost cap. Processing and funding issues (see duplicated on Admin tab)	3	5	15	Factored in actuarial valuation	Minimal impact on funding levels, measured through Actuarial valuation, HEAT, FSS, LGA, Scheme advisory board, Hymans advice.	2	4	8	ongoing	Review and monitor legislative changes		MS/LM/SJ
		Failure to ensure that all monies received or due are accurately and completely recorded including; Employer contributions, employee basic and additional contributions, transfers paid in or out and pension benefits paid.	4	3	12	Internal contribution control and financial systems. Actuarial data checks Scheme of delegation, record keeping checks, actuarial calculation	Audit, valuation, IAS19/FRS102 reporting Actuarial certification, Club vita reports, Breaches log, HEAT	4	2	8		Treasury & Pension will be taking on the income allocation for the Fund	May-24	LM
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 procure an Actuary to carry out an independent valuation of the Fund in accordance with regulations	5	3	15	Regulatory requirement to appoint an independent actuary and to carry out an actuarial valuation every 3 years.	Actuarial report produced by independent actuary, Pension Board, GAD. Current Actuary appointed until 2024.	4	3	12	Triennial	Increased risk due to immanent procurement		MS
		Failure to target 100% funding in the long term	5	2	10	Stochastic modelling of outcomes gives an acceptable chance of 100% funding in the long term	No issues identified by GAD in respect of actuarial or investment assumptions under their Section 13 analysis	3	2	6	Triennial			MS
		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	4	3	12	Valuation assumptions are prudent. An assumptions paper was received from the Actuary for the 2022 Valuation, this compared the 2022 assumptions with those used in the 2019 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.	4	2	8	Triennial			MS

		Failure to monitor the funding position during inter valuation period and to report to Pension Committee including changes in liabilities	4	3	12	Use of Hyman's Funding Risk Management tool to monitor funding position at total Fund and individual Employer level during the inter valuation period. Actuary statement in Annual Accounts.	Report to Committee, Pension Board, Pension Fund Annual Accounts, External Audit. HEAT will provide current asset information, liabilities changes will be unknown, GAD, Access to Hymans online FRM tool and internal covenant monitoring svstem.	4	3	12	Annual	Monitor effect of inflation on liabilities and cash flow. Consider reporting additional information to committee i.e. funding level, membership numbers "dashboard"	Increased risk due current inflationary environment, market volatility.	MS
		Failure to keep HEAT reporting up to date and use for reporting.	4	2	8	Resource accordingly, continue to work with Hymans to ensure appropriate data capture	Hymans ongoing data checks and comparison against valuation and employer data submissions	2	2	4	May-24			LM
		Failure to have an awareness of the impact in reductions in payroll (active members) do not affect the balance of contributions split between primary and secondary payments. Contributions rates set at valuation remain sufficient to cover all past and future service liabilities.	4	3	12	Ensure that significant changes in staffing levels do not result in less income from contributions. Fund could request contribution rate review under FSS	Funding Strategy explicitly addresses the split of contribution rates into percentage of payroll and cash component parts where there is a risk of significant staff reductions. Greater use of Heat, Covenant monitoring, Hymans online FRM	2	2	4	Triennial	Greater use of reporting from HEAT / I-connect will provide information on falling payrolls. Need to understand data we can collect form our various systems and create a Fund Dashboard.		MS
3.3 To ensure the long term cost efficiency of the scheme	3.3 Failure to set contribution rates that ensure the long term cost efficiency of the scheme	Failure to ensure that contribution rates modelled by the Actuary are such as to achieve the long term cost efficiency of the scheme	4	4	16	Actuary is procured who carry out Stochastic modelling of outcomes demonstrates Consistent or improved funding outcome from the valuation. Any exceptions are clearly documented – e.g. specific deals with individual bodies where for example affordability may conflict with long term cost efficiencv	No issues identified by GAD in respect of contribution rate assumptions under their Section 13 analysis, Central government cost cap reviews, SAB annual LGPS report, outcome of current and previous valuation reports.	3	2	6	Triennial	McCloud and Goodwin ruling outstanding (expected to be minimal at a total fund level) factored into 2022 valuation.		MS
		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	4	3	12	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.	4	2	8	Triennial			MS
3.4 It is desirable that contributions are as stable as possible	3.4 Failure to set contribution rates that are relatively stable in order to ensure that pensions do not unnecessarily disrupt Local Authority capacity to deliver local services (subject to achieving solvency and long term cost efficiencv)	Failure to use "smoothing methodology" such as stabilisation mechanism 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	4	4	16	Use stabilisation 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	4	3	12	Triennial	Reviewing stabilisation for Academies ahead of 2025 Valuation		MS
3.5 It is desirable that contribution rates are affordable commensurate with risk and meeting the funding objective	3.5 Failure to set contribution rates that are affordable to employing bodies such that it disrupts their services or pushes them into receivership (commensurate with achieving solvency and long term cost efficiency)	Failure to have an investment strategy designed to keep contribution rates affordable (e.g. invested substantially in growth assets)	4	4	16	Investment Strategy designed to keep contributions affordable (subject to return on assets matching actuarial assumptions). Actuary's modelling of funding strategy and investment strategy (ALM) in tandem for 2022 valuation.	Strategic Asset Allocation documented in ISS and monitored quarterly by Pensions Panel, Investment consultant, Funding Strategy Statement and actuarial valuation report.	4	3	12	Annual			MS, Panel
		Failure to consult with employing bodies on the Funding Strategy	3	3	9	Consultation with Employing bodies	Responses from employers to consultation on Funding	2	2	4	Triennial			MS/LM
		Failure to inform employing bodies fully so that they understand the outcome of the valuation	3	3	9	Formal consultation with Employing bodies in place (Employers Pensions AGM, Practitioners meetings, communications etc.)	Responses to valuation outcome, Employers Forum and responses to consultation, opportunity to discuss with scheme actuary and concerns.	3	2	6	Triennial			MS/LM

		Failure to monitor the existence of bonds/guarantees held in accordance with admission agreements	4	3	12	Diarised review system, employer spreadsheet.	Sign off of review, Employer events control. 2022 valuation results indicate more favourable position.	4	2	8	Annual	Following annual review, further consideration of any development required. Reduced due to reduction in number of high risk employers.	MS
		Failure of Administering authority to commission the fund actuary to carry out a termination valuation for a departing admission body	4	3	12	Cessation valuations carried out whenever an employing body leaves the fund , employer control spreadsheet, employer profiling system. Online funding portal. Cessation Policy in FSS. Fund's published Exit Credit Policv.	Cessation valuation completed by Actuary and documented also documented in valuation report, HEAT will provide an early warning. Appropriate Legal advice.	4	2	8	As required		MS
3.8 To ensure ceding employers are protected from transfers	3.8 Failure to protect the Fund from inappropriate transfer of assets as part of bulk transfers	Failure of the Funding Strategy to address how bulk transfers are to be carried out and to ensure that liabilities remaining with ceding employers are funded appropriately	4	3	12	FSS includes appropriate policy on transfers out, taking account of the existing funding level and amend transfer values accordingly (actuary calculated)	Documented in appendix to the Funding Strategy Statement	4	2	8	FSS reviewed at triennial valuation outcome		MS
3.9 To ensure the impact of climate change is taken into account on the Funding Strategy	3.9 Failure To ensure the impact of climate change is taken into account on the Funding Strategy	Need to ensure the Actuary considers the impact of climate change in reviewing the Funding Strategy	2	2	4	Actuary models different climate change scenarios, and any potential impact on the funding strategy as part of the actuarial valuation	Actuarial Formal Valuation Report	2	2	4			MS
3.10 To ensure that the Strategic Investment Strategy meets the actuarial assumptions	3.10 Failure to ensure the Strategic Investment Strategy matches the Actuarial assumptions to achieve full funding in the long term	Need to take into account impact of climate change on funding strategy			0	SEE SEPARATE INVESTMENT SECTION	Strategic Asset Allocation review carried out as part of ALM prior to Actuarial Valuation.			0			MS