



LOCAL PENSION BOARD – 2 AUGUST 2023
REPORT OF THE DIRECTOR OF CORPORATE RESOURCES
RISK MANAGEMENT AND INTERNAL CONTROLS

Purpose of the Report

1. The purpose of this report is to inform the Local Pension Board of any changes relating to the risk management and internal controls of the Pension Fund, as stipulated in the Pension Regulator's Code of Practice.

Policy Framework and Previous Decisions

2. Within the Local Pension Board's Terms of Reference it states that the responsibility and role of the Board is to secure compliance with the LGPS Regulations and other legislation relating to the governance and administration of the LGPS; securing compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator; and, such other matters as the LGPS regulations may specify.

Background

3. The Pension Regulator's (TPR) code of practice on governance and administration of public service pension schemes requires that administrators need to record, and members be kept aware of risk management and internal controls. The code states this should be a standing item on each Local Pension Board and Local Pension Committee agenda.
4. In order to comply with the code, the risk register and an update on supporting activity is included on each agenda for this Committee.

Risk Register

5. The 18 risks are split into six different risk areas. The risk areas are:
 - Investment
 - Liability
 - Employer
 - Governance
 - Operational

- Regulatory
6. Risks are viewed by impact and likelihood and the two numbers multiplied to provide the **current risk score**. Officers then include future actions and additional controls, and the impacts and likelihoods are then rescored. These numbers are multiplied to provide the **residual risk score**.
 7. The current and residual risk scores are tracked on a traffic light system red (high), amber (medium), green (low).
 8. Following the March 2023 Local Pension Committee meeting, Officers completed a full review of the Risk Register. Following the June 2023 Local Pension Committee meeting, there have been some additions added to Risk Three.
 9. There has been no change to the risk scores.
 10. To meet Fund Governance best practise, the risk register has been shared with Internal Audit, who have considered the register and are satisfied with the current position.
 11. The risk register is attached at Appendix A and Risk Scoring Matrix and Criteria at Appendix B.

Investment Risk

Risk 3 - Failure to take account of ALL risks to future investment returns within the setting of asset allocation policy and/or the appointment of investment managers

12. Following comments from Members at the 16 June 2023 Local Pension Committee meeting, Officers have expanded the risk wording to include Environmental, Social and Governance (ESG) factors.
13. A further action/additional control has been added. LGPS Central are in the process of developing an ESG report for the Fund which can be used to monitor the Fund's portfolio exposure, and support engagement with underlying companies.

Risk 4 – Risk to Fund assets and liabilities arising from climate change.

14. This remains the newest risk and was added prior to the April 2023 Local Pension Board Meeting, following the Fund's climate strategy work.

Recommendation

15. The Local Pension Board is asked to note the report.

Equality Implications

16. There are no equality implications arising from the recommendations in this report.

Human Rights Implications

17. There are no human rights implications arising from this report.

Background Papers

None

Appendix

Appendix A – Risk Register

Appendix B – Risk Scoring Matrix and Criteria

Officers to Contact

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