

SURREY COUNTY COUNCIL

LOCAL PENSION BOARD

DATE: 19 MAY 2023

LEAD OFFICER: ANNA D'ALESSANDRO, DIRECTOR OF FINANCE, CORPORATE AND COMMERCIAL

SUBJECT: Risk Register update 2022/23 Quarter 4



#### **SUMMARY OF ISSUE:**

This report considers changes made to the risk register for the Surrey Pension Team in Quarter 4 of 2022/23. Risk scores in two areas have been modified this quarter – to reflect relative movements in the assessments.

#### **RECOMMENDATIONS:**

The Board is recommended to:

1. **Note** the content of this report and the Risk Register (Annexe 1).
2. **Make** recommendations to the Pension Fund Committee if required.

#### **REASON FOR RECOMMENDATIONS:**

The Public Sector Pensions Act 2013 requires Local Pension Boards to assist the Scheme Manager in securing compliance with the Local Government Pension Scheme (LGPS) Regulations and requirements imposed by the Pensions Regulator. This report provides the Board with insight into the activities of the Surrey pension function and furthers the successful collaboration of the Committee and Board in managing risk and compliance and promoting effective governance.

#### **DETAILS:**

**Risk scores have changed in two areas as follows:**

1. Risk scores have been changed in the areas of actuarial assumptions (risk score reduction) and workload (risk score increase):

**Actuarial assumptions  
risk score reduced**

- 1.1 Risk 3 is that funding requirements are higher due to actuarial assumptions materially different to experience. Likelihood and impact scores for this risk have been reduced to reflect the completion of the actuarial valuation work using up to date assumption sets.

**Work volume  
risk score increased**

- 1.2 The likelihood and impact scores for risk 11 have been increased for this quarter. The risk is that work volume mismatch with operational capacity leads to backlogs. Backlogs across the whole service are receiving priority attention as part of the Strategic Business Plan for the Fund.

## Top 3 risk areas commentary

2. Commentary is provided below on the three risk areas in the risk register with the highest combined likelihood and impact scores.

Risk	<b>Implementation of new financial systems leads to delayed processing, data integrity issues or financial loss</b>	<b>Skills / knowledge gaps lead to inefficiency and poor performance</b>	<b>Work volume mismatch with operational capacity leading to backlogs</b>
Risk ID	16	9	11
Score	20	16	16
Comment	The change from SAP to Unit 4 is programmed for June 2023	This risk remains with some single points of failure within the organisational structure.	Legacy issues have been highlighted as a result of recent improvement focus.
Action	The Change team is coordinating efforts to understand the transition. Ongoing monitoring of implementation timescales are underway.	Organisational structure remains under review for resilience and succession planning. This will be formalised in a workforce plan in summer 2023.	Backlogs across the whole service are receiving priority attention and identified for action in the Business Plan for 2023/24. Assessment of resource requirements for dealing with backlogs commenced – next steps underway.
Residual risk	Remains a significant risk pending experience of implementation.	Remains a risk – recommendations may arise from workforce plan.	Remains a risk pending progress on resolution of legacy issues.

### Changes planned to controls

- The following enhancements are planned. Although risks 9, 11 and 16 are shown as individual service areas – these enhancements are planned for, or will engage with, the whole team.

Risk ID	Area	Changes
1	A&G Funding	Employer engagement with higher risk cohorts planned.
4	Investment	Final sign off of Responsible Investment Policy and Task Force on Climate-Related Financial Disclosure (TCFD) report to be published. Mercer to review net zero strategy.
6	Investment	Asset allocation analysis – review of fixed income exposure.
9	Service Delivery	Workforce plan considering resilience and succession planning in preparation.
11	Service Delivery	Backlogs across the whole service receiving priority attention as part of Strategic Business Plan for 2023/24. Assessment of resource requirements for dealing with backlogs underway.
12	Service Delivery	Business Continuity plans and Cyber security approach to be reviewed during 2023/24.
13	Service Delivery	Technical team to engage with consultations on proposed Dashboards framework.
15	A&G Governance	The knowledge assessment undertaken is informing 2023/24 training plans.
16	A&G Funding	Engagement is ongoing with Unit 4 leads – the Pension Change team has been deployed.

### Background

- A quarterly assessment of the Pension risk register gives the Board the opportunity to influence and drive the risk management process.
- The risk management policy of the Surrey Pension Team is to adopt best practice in the identification, evaluation and control of risks in order to ensure that the risks are recognised, and then either eliminated or reduced to a manageable level. If neither of these options is possible, then means to mitigate the implications of the risks should be established.
- Risk areas have been assessed in terms of their impact on the Fund as a whole, on the fund employers, and on the reputation of the Pension Fund Committee and Surrey County Council as the administering authority. Assessment has also been made of the likelihood of the risk.

### **CONSULTATION:**

7. The Chairman of the Local Pension Board has been consulted on this report.

### **RISK MANAGEMENT AND IMPLICATIONS:**

8. Any relevant risk related implications have been considered and are contained within the report.

### **FINANCIAL AND VALUE FOR MONEY IMPLICATIONS**

9. Any relevant financial and value for money implications have been considered and are contained within the report.

### **DIRECTOR OF CORPORATE FINANCE COMMENTARY**

10. The Director of Finance, Corporate and Commercial is satisfied that relevant, material financial and business issues and possibility of risks have been considered and addressed.

### **LEGAL IMPLICATIONS – MONITORING OFFICER**

11. There are no legal implications or legislative requirements.

### **EQUALITIES AND DIVERSITY**

12. There are no equality or diversity issues.

### **OTHER IMPLICATIONS**

13. There are no other implications.

### **WHAT HAPPENS NEXT**

14. The risks will be regularly monitored and reporting to the Board will be undertaken. All risks in the risk register will be reviewed at least quarterly with the risk owners.

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#### **Contact Officers:**

Siva Sanmugarajah  
Paul Titcomb

Risk & Compliance Manager  
Head of Accounting and Governance

#### **Consulted:**

Local Pension Board Chairman

#### **Annexes:**

- Risk Register (March 2023)

#### **Sources/background papers:**

- None.
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