

**SURREY COUNTY COUNCIL**

**LOCAL PENSION BOARD**

**DATE: 28 JULY 2023**

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

**SUBJECT: RISK REGISTER UPDATE 2023/24 QUARTER 1**



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

This report considers changes made to the risk register for the Surrey Pension Team in Quarter 1 of 2023/24.

#### **RECOMMENDATIONS:**

The Board is recommended to:

**Note** the content of this report and the Risk Register (Annexe 1).

**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:**

##### **Background**

1. A quarterly assessment of the Pension risk register gives the Board the opportunity to influence and drive the risk management process.
2. 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 is established.
3. 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.

**Risk scores have changed in one area as follows:**

4. Following the accounting system transition new issues are being encountered and addressed and there is much still to do. However, the risk score has been reduced to reflect lower expectation of severe adverse impacts.

<b>New financial system implemented</b>	4.1	Risk 16 is that implementation of new financial systems leads to delayed processing, data integrity issues or financial loss. While there is still some work to do on a number of configuration elements and reporting, the cutover was actioned in early June.
<b>Issues remain but very high impact risk score reduced</b>	4.2	Several data population and access availability issues have followed the initial go live date and process backlogs have built up as teams gain familiarisation with the new system. Delayed processing remains a risk, due primarily to ongoing access or configuration issues (especially in relation to payroll interfaces), but the very high impact risk score has been reduced. This will, of course, remain under review.

**Top risk areas commentary**

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

Risk	<b>Skills / knowledge gaps lead to inefficiency and poor performance</b>	<b>Work volume mismatch with operational capacity leading to backlogs</b>
Risk ID	9	11
Score	16	16
Comment	This risk remains with some potential single points of failure within the organisational structure.	Legacy issues have been highlighted as a result of recent improvement focus.
Action	A preliminary review of the organisational structure has been undertaken for resilience and succession planning. A workforce plan is in preparation, with early actions on high priority elements.	Backlogs across the whole service are receiving priority attention and identified for action in the Business Plan for 2023/24. An initial assessment of resource requirements for dealing with backlogs has been undertaken – consequential steps are underway. A sub-risk in the register reflects specific issues regarding availability of resources.
Residual risk	Remains a risk – pending completion of actions arising from workforce plan.	Remains a risk pending progress on resolution of legacy issues and bedding in of new financial systems.

## Changes to risk register reflect alignment to Funding Strategy Statement

6. A new column 'FSS x-ref' has been added to the register to reflect the cross reference of risks outlined in the Funding Strategy Statement with the comprehensive risk register.
7. The following changes were made to specific risks following the review of the Funding Strategy Statement to ensure alignment. Changes will be made to the appendix to the Funding Strategy Statement to reflect risks within the main register as appropriate. Further work will be done in due course to ensure greater alignment as each document evolves.

Risk ID	Area	Changes
1	A&G Funding	New sub-risk 1B added to articulate risk on 'orphaned' employers. Management controls for risk 1A updated to reflect data requirements from employers.
2	A&G Funding	Management controls for risk 2C updated to include prospective reviews of potential contractor arrangements.
3	A&G Funding	Changes made to sub-risks to clarify effects and update management controls.
4	Investment	Management controls for risk 4A updated to include actuarial modelling.
5	Investment	Management controls for risk 5A updated to reflect use of specific employer strategies.
6	Investment	Management controls for risk 6B updated to reflect nature of actuarial calculations.
8	Investment	Management controls for risk 8A updated to reflect monitoring of requirement for exit credits.
11	Service Delivery	New sub-risk 11D added to articulate risk on reduced resources due to industrial action, illness or other causes.
13	A&G Technical	Risk 13E cause refined to include HMRC driven changes and anything related to particular employer participation.

**CONSULTATION:**

8. The Chair of the Local Pension Board has been consulted on this report.

**RISK MANAGEMENT AND IMPLICATIONS:**

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

**FINANCIAL AND VALUE FOR MONEY IMPLICATIONS**

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

**DIRECTOR OF CORPORATE FINANCE COMMENTARY**

11. 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**

12. There are no legal implications or legislative requirements.

**EQUALITIES AND DIVERSITY**

13. There are no equality or diversity issues.

**OTHER IMPLICATIONS**

14. There are no other implications.

**WHAT HAPPENS NEXT**

15. The risks will be regularly monitored and reporting to the Board will be undertaken.

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**Contact Officers:**

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**Consulted:**

Local Pension Board Chair

**Annexes:**

Risk Register (June 2023) – Annexe1

**Sources/background papers:**

None.

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