

**SURREY COUNTY COUNCIL**

**LOCAL PENSION BOARD**



**DATE: 18 FEBRUARY 2022**

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

**SUBJECT: RISK REGISTERS 2021/22 QUARTER 3**

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

This report considers changes made to the risk registers of quarter 3 of 2021/22 (October to December 2021) for Surrey Pension's Fund and Administration services.

#### **RECOMMENDATIONS:**

The Board is recommended to:

1. **Note** the content of this report and the Fund Risk Register (shown as Annex 1) and the Administration Risk Register (shown as Annex 2).
2. **Make** recommendations to the Pension Fund Committee (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 Fund and Pension Administration risk registers will give the Board the opportunity to influence and drive the risk management process during 2021/22.
2. In a meeting of 9 February 2018, the Committee determined that future risk registers be initially reviewed by the Board and contained within the quarterly Board Report to the Committee.

##### **The Risk Management Process**

3. The risk management policy of the Surrey Pension Service 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.

4. Each of the risk areas in each register has been assessed in terms of its 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 given as to the likelihood of the risk.
5. Each of the three areas of impact identified above is assessed on a scale of one to four, with four implying the highest level of impact. The likelihood of the risk description (between one and five) is then applied to the combined impact score, which produces an overall risk score. Depending on the score, the risks are then identified as Red, Amber or Green.
6. To comply with best practice, a scoring process has been implemented, which will reassess the risk scores after the mitigating action is taken to control and reduce the risks. The risk register includes a revised impact score and net risk score as a result of those mitigating actions.
7. Within the residual red risks, cost ranges are provided on the implications where possible.
8. In a meeting of 9 February 2018, the Pension Fund Committee requested that the Board add to their forward plan consideration of how the risks are measured and whether the weighting is appropriate.

### **Changes to existing risks in the Risk Register**

9. The Fund and Administration risk registers have been updated to reflect members' comments from previous board meeting, all changes have been tracked. New risk owners have also been allocated to take account of the imminent transition to the new operating structure who have reviewed the risk registers. The following risks have been updated.

#### Annexe 1:

- Total Residual Risk scores (column R) of F3, F4, F13, F14, F16 and F17 have been lowered by reducing its likelihood.
- Total Inherent Risk score (column J) of F19 has been increased by increasing its likelihood.
- Risk F12 is no longer relevant.

#### Annex 2:

- Total Inherent Risk scores (column J) have been lowered by reducing the various impacts (in columns E to I and shown below in brackets) of the following risks:
  - A1 and A9 (Financial),
  - A2, A17 and A18 (Services and Reputational),

- A3, A4, A5, A12, A23 and A24 (Financial, Services and Reputational),
  - A10 (Financial and Reputational),
  - A13 (Likelihood), and
  - A21 (Reputational).
- The following risks are being suggested to be removed with reasons (shown in brackets) and see details in Risks Removed section below:
    - A7 (suggested closure due to risk mitigation),
    - A8 (suggested closure due to Surrey only now),
    - A14 (suggested closure due to controls in place),
    - A15 (proposed closure due to Risk A2 above), and
    - A19 (suggested closure because process embedded in service).

No change – A16

## **Risks Removed**

10. The Local Pensions Board should recommend to the Pension Fund Committee, the removal of the following risks:

- Risk F12 in Annexe 1: Volatility caused by uncertainty with regard to the withdrawal of the UK from the European Union and its aftereffects.
- Risks A6, A11, A20 and A22 in Annexe 2 to be removed as detailed in the Revised Risk Register Cover Report of 11 November 2021 – Minute Item 53/20).
- Risk A7 is being suggested to be closed due to risk mitigating measures implemented - Training plans and matrices are now in place for all staff to enhance development, including formal external training which provides accreditation. The introduction of a Training Officer has formalised this and reduced the risk, giving the structure required.
- Risk A8 is being suggested to be closed due to the risk reduced - With the final LOBO partner having migrated in January, its proposed this risk be closed as we are now a single provider to Surrey Scheme only.
- Risk A14 is being suggested to be closed as there are controls in place to manage both individual and service performance.
- A15 is being proposed to be closed in view of the changes made to reduce the Inherent Risks in Risk A2. and
- A19 is being suggested to be closed due to Immediate payments and Admin to pay processes providing tighter controls and close to as fully automated as possible. The move to Unit 4 for Surrey County Council as its new payroll and financial system may provide opportunities.

**CONSULTATION:**

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

**RISK MANAGEMENT AND IMPLICATIONS:**

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

**FINANCIAL AND VALUE FOR MONEY IMPLICATIONS**

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

**DIRECTOR OF CORPORATE FINANCE COMMENTARY**

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

**LEGAL IMPLICATIONS – MONITORING OFFICER**

15. There are no legal implications or legislative requirements.

**EQUALITIES AND DIVERSITY**

16. There are no equality or diversity issues.

**OTHER IMPLICATIONS**

17. There are no other implications.

**WHAT HAPPENS NEXT**

18. The risk registers will be presented to Pension Fund Committee on 10th March for their recommendations and approval.

19. The separate risk registers will be combined and reviewed following the integration of the team in May 2022. Any new risks identified will be added at this time.

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**Contact Officers:**

Paul Titcomb  
Colette Hollands  
Tom Lewis  
Clare Chambers

**Consulted:**

Local Pension Board Chairman

**Annexes:**

1. 2021/22 Quarter 3 Fund Risk Register
2. 2021/22 Quarter 3 Administration Risk Register

**Sources/background papers:**

1. None.
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