

# Pension Fund Risks

Report Type: Risks Report – January 2017

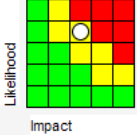


## FINANCIAL SERVICES – OPERATIONAL

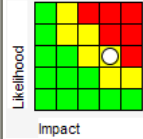
Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR FSV 1213 0004 Reliance on External Systems	<p>Heavy reliance on external systems across all sections of Financial Services which includes the following systems:</p> <ul style="list-style-type: none"> <li>• Cedar (accounting)</li> <li>• HSBCnet (custodian)</li> <li>• LloydsLink, RBS Bankline, Paris, Daisy, Bottom Line BACS uploads (banking)</li> <li>• PS live, King &amp; Shaxson, ICD Portal (treasury)</li> <li>• Compendia, Resourcelink (pensions)</li> <li>• Enterprise/Stars (insurance),</li> </ul> <p>Failure of systems could result in significant issues, such as an inability to make payments, process claims, etc.</p>	Finance & Corporate Resources		Reviewed November 2016 - Score maintained as the no. of systems used by Financial Services has remained constant. The impact of failure of these systems is potentially very significant

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
F RTP 0809 0004 A BCP and manual processes	Business Continuity Plans includes use of manual process in an emergency, backing up of records, etc.	Michael Honeysett	Chris Ellmore/Rachel Cowburn/Michael Pegram/Julie Stacey	30-Dec-2017	November 2016 - updated & ongoing.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
------------	---------------------	-------------	---------------------	--------------------

FR FSV 1213 0005 T & P - Recruitment and retention of experienced (and specialised) Financial Services staff	The Authority is unable to recruit or retain experienced or suitably qualified staff because the salaries offered are not competitive enough. Also, there are specialist and niche positions in the Financial Services team and if they were to become vacant, the delivery of effective Treasury, Pension and Insurance Services would become more difficult, leading to potential financial, regulatory and reputational issues.	Finance & Corporate Resources		Updated November 2016 - ongoing. Likelihood has increased here as the anticipated risk has materialised. The departure in May 2016 of a very experienced Head of Service has resulted in a restructure for the Financial Services Team. Additionally, the Head of Treasury and Banking will be leaving in January 2016. Recruitment of existing team members to key posts has provided a degree of continuity but the team collectively is less experienced than previously. New appointments have also been made to allow a new phase of succession planning to begin.
--------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------	-------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FRFSV 1213 0005A Continuity of team and ability to cover different roles plus appropriate pay levels	Ensure continuity by having other members of the team able to cover essential functions such as Treasury management. Benchmarking of salaries for the section both against other local authorities and private sector payment of supplements where appropriate	Michael Honeysett	Chris Ellmore/Julie Stacey/Michael Pegram/Rachel Cowburn	30-Dec-2017	November 2016 - ongoing with controls in place.
FRFSV1213 0005B Detailed policies and procedures in place to enable others to take on key tasks	Ensure there are detailed policies and comprehensive procedure notes (e.g. - an Accounting Manual) which enable others to take on key roles.	Michael Honeysett	Chris Ellmore/Julie Stacey/Michael Pegram/Rachel Cowburn	30-Dec-2017	November 2016 - ongoing with controls in place.
FRFSV1213 0005C Succession Planning	Succession planning, involvement of different team members to ensure that specialist knowledge is not confined to one or two individuals. FS staff should be trained to cover other areas in event of an emergency. Staff (to a level) have shadowed colleagues to be able to carry out elements of their roles. Also staff are to be developed - delegation of work can now be passed from Senior Managers to Junior Officers once appropriately trained. Graduate trainees provide high quality support when on placement in the Financial Services area.	Michael Honeysett	Chris Ellmore/Julie Stacey/Michael Pegram/Rachel Cowburn	30-Dec-2017	November 2016 - ongoing with controls in place

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR FSV 1213 0020 Financial Services Management of Third Party Contracts	Financial Services manages a large number of external supplier contracts – lack of control could result in financial and reputational risks. Financial Services manages in excess of 20 external contracts, which carry significant financial and reputational risks if not managed appropriately for example leading to higher costs or legal challenges.	Finance & Corporate Resources		Reviewed November 2016 - score has remained the same, as the number and nature of contracts managed has not changed significantly since the last review.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
F RTP 0809 0020 A Contract Monitoring and Service Level Agreements	Regular monitoring of key contracts, including performance monitoring, service level agreements, reviewing internal controls reports of third party providers.	Michael Honeysett	Chris Ellmore/Julie Stacey/Michael Pegram/Rachel Cowburn	31-Dec-2017	Reviewed November 2016 - ongoing
F RTP 0809 0020 B Market Testing of contracts and benchmarking	Market testing of contracts through procurement exercises and/or benchmarking of costs on a regular basis.	Michael Honeysett	Chris Ellmore/Julie Stacey/Michael Pegram/Rachel Cowburn	31-Dec-2017	Reviewed November 2016 - ongoing
F RTP 0809 0020 C Market Intelligence gathering	Regular reviews of developments in the market place to ensure the section maintains up to date knowledge and is in a position to act on market intelligence such as changes to financial standing of external third party.	Michael Honeysett	Chris Ellmore/Julie Stacey/Michael Pegram/Rachel Cowburn	31-Dec-2017	Reviewed November 2016 - ongoing

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
------------	---------------------	-------------	---------------------	--------------------

FR FSV 1213 0051 Financial Services- Lack of adequate professional advice on strategies, projects and decisions	Decisions made in respect of Financial Services, Treasury, Pensions and Insurance can have a major financial impact on the Council and Pension Fund. Lack of adequate or inappropriate professional advice on strategies, projects and decisions could give rise to financial and reputational risks.	Finance & Corporate Resources		Reviewed November 2016 - ongoing
-----------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------	--	----------------------------------

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FRFSC 1213 0051B Market intelligence gathering	Monitoring wider developments and ensuring that officers and Members are kept informed. Wider networking and collaboration with other authorities where appropriate to ensure best practice.	Michael Honeysett	Chris Ellmore/Michael Pegram/Julie Stacey/Rachel Cowburn	30-Dec-2017	Reviewed November 2016 - ongoing.
FRFSV 0809 0051A Monitoring of advice	Controls – monitoring of advice received, risk assessment for procurements, Committee review of recommendations. Also ensure there is a good level of 'in-house expertise'.	Michael Honeysett	Chris Ellmore/Michael Pegram/Julie Stacey/Rachel Cowburn	30-Dec-2017	Reviewed November 2016 - ongoing.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR FSV 1213 0047 Regulatory Risks	Regulatory Risks encompass both compliance with existing legislation and regulatory changes – this particularly affects LGPS structural reform, the introduction of MiFID II and MoJ Jackson reforms & Insurance Act 2015 for insurance. The Pensions Regulator now has oversight of the administration and governance of the LGPS , meaning increased scrutiny, and more pressure on the team. Also EU money market regulatory changes increase the likelihood of a loss of capital. This impacts on the security of capital investments.	Finance & Corporate Resources		Reviewed November 2016 - ongoing. Score remains high with numerous developments and new regulatory risks (as detailed in the description) emerging.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FR FSV 0809 047B Compliance with regulation policies	Ensure processes and policies in place to meet regulatory compliance	Michael Honeysett	Chris Ellmore/Mich	30-Dec-2017	Reviewed November 2016 - ongoing.

			ael Pegram/Julie Stacey/Rachel Cowburn		
FR FSV 0809 047C Compliance with regulation knowledge and skills	Ensure adequate training and specialist knowledge and skills for both staff and Members charged with governance	Michael Honeysett	Chris Ellmore/Michael Pegram/Julie Stacey/Rachel Cowburn	30-Dec-2017	Reviewed November 2016 - ongoing.
FRFSV 0809 047A Regulatory Changes – monitoring developments and responding to changes	Monitor proposed changes and respond to consultations to influence outcome. Amend systems, processes to ensure compliance, use of specialist advisors to prepare for anticipated changes	Michael Honeysett	Chris Ellmore/Michael Pegram/Julie Stacey/Rachel Cowburn	30-Dec-2017	Reviewed November 2016 - ongoing.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR FSV 1213 0052 Failure to manage costs	Failure to manage the costs of running the various services within Financial Services would give rise to significant additional financial costs for the Council along with reputational risks of poor value for money.	Finance & Corporate Resources		Reviewed November 2016 - ongoing. The score for this risk remains high. Government's asset pooling agenda is likely to increase costs in the short to medium term as new arrangements are put into place. Additionally, the increased focus on costs in the LGPS increases reputational risk

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FRFSV 1213 0052A Budget Monitoring	Controls budget monitoring, performance fees, monthly budget monitoring, financial intelligence, etc.	Michael Honeysett	Chris Ellmore/Michael Pegram/Julie Stacey/Rachel Cowburn	30-Dec-2017	Reviewed November 2016 - ongoing.
FRFSV 1213 0052B Benchmarking	Benchmarking costs with other authorities to ensure costs for LBH are not disproportionate. Additionally, the London Collective Investment Vehicle should help reduce fund management costs.	Michael Honeysett	Chris Ellmore/Michael Pegram/Julie	30-Dec-2017	Reviewed November 2016 - ongoing.

			Stacey/Rachel Cowburn		
FRFSV 1213 0052D Frameworks/ Collaborative Working/ Shared Services	Use of Framework Agreements and other joint working where appropriate to control costs and to work with other authorities to deliver value for money and efficiency savings	Michael Honeysett	Chris Ellmore/Michael Pegram/Julie Stacey/Rachel Cowburn	30-Dec-2017	Reviewed November 2016 - ongoing.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR FSV 1213 0056 Procurement Risk	Financial Services is heavily reliant on the use of external contractors in all areas. All the contracts have to be tendered on a regular basis which brings procurement risks in terms of both timetables for procurement (often several procurements having to take place at the same time) and potential challenges to procurements.	Finance & Corporate Resources		Updated November 2016. Both the likelihood and impact for this risk have been increased to account for the requirement to tender for Third Party Administration services in 2017. Considered in isolation, this is a significant procurement exercise; however, it is complicated in this instance by the requirement to tender at the same time as the Council implements a new payroll system.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FR FSV1213 0056A Procurement Risk A – Ensuring adequate resources	Given the number of highly specialist contracts within Financial Services and a relatively small specialist team, the team will look to use external advisers to supplement internal resources when undertaking procurement exercises.	Michael Honeysett	Chris Ellmore/Michael Pegram/Rachel Cowburn/Julie Stacey	30-Dec-2017	Updated November 2016 – Aon appointed to assist with TPA procurement
FR FSV1213 0056B Procurement Risk B – Timing of Procurements	Where feasible, procurement exercises will be spread across different time periods, although this is not always feasible.	Michael Honeysett	Chris Ellmore/Michael Pegram/Rachel Cowburn/Julie Stacey	30-Dec-2017	Updated November 2016. This has not been feasible in the case of the TPA contract. A 9 month contract extension to 31 <sup>st</sup> December 2017 has been sought to provide sufficient transition time if required, and to reduce

					the impact of the clash with the payroll procurement (Go live date July 2017)
FR FSV1213 0056C Procurement Risk C – Collaborate with other authorities	Where the timing and scope of procurement exercises are likely to coincide with other authorities and where practical to do, joint exercises including Frameworks will be undertaken.	Michael Honeysett	Chris Ellmore/Michael Pegram/Rachel Cowburn/Julie Stacey	30-Dec-2017	Updated November 2016

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR FSV 1213 0057 Internal Fraud within Team	Financial Services is involved in the management of large scale financial resources on behalf of the Council and there is a potential risk that the area could be subject to internal fraud leading to significant financial and reputational risks.	Finance & Corporate Resources		Reviewed November 2016 – rating unchanged as the recent restructure has not significantly impacted separation of duties.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FR FSV1213 0057A Internal Fraud A – Policies and Procedures	Detailed policies and procedures and internal controls to ensure segregation of duties for key roles within Financial Services, e.g. reconciliations are undertaken by an individual not involved in Treasury operations.	Michael Honeysett; Ian Williams	Chris Ellmore/Rachel Cowburn	30-Dec-2017	Updated November 2016 - ongoing. Additional staff are to be trained as banking system administrators with other roles being adjusted as required to maintain separation of duties.
FR FSV1213 0057B Internal Fraud B – Internal Audit	Financial Services is subject to internal audit scrutiny on an annual basis with different areas being tested to ensure compliance.	Michael Honeysett; Ian Williams	Chris Ellmore/Rachel Cowburn/Michael Pegram/Julie Stacey	30-Dec-2017	Reviewed November 2016 - ongoing
FR FSV1213 0057C Internal Fraud C – External Audit	All aspects of the work of Financial Services are subject to annual external audit covered by the audit	Michael Honeysett; Ian Williams	Chris Ellmore/Rac	30-Dec-2017	Reviewed November 2016 - ongoing

	of the Financial Statements with the Pension Fund also being subject to a separate audit opinion.		hel Cowburn		
--	---------------------------------------------------------------------------------------------------	--	-------------	--	--

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR FSV 1213 10 Data Protection Act	There are a wide range of possibilities (computer hacking, 3rd party carelessness, employee lack of care, lost laptops) which could result in serious breach of the Data Protection Act. This could lead to damaging claims to the Council having financial (including fines) and reputational consequences.	Finance & Corporate Resources		Reviewed November 2016 - ongoing

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FR FSV 1213 010 Data Protection Act	Compliance with ICT Policy, procedure and guidance including refresher training to be provided in early 2017. Encryption of data and sensitive email both to and from external stakeholders. Use of secure courier to transfer sensitive hard copy files – Confidential Waste disposal. Redaction of personal information where authority not available/provided. Ensuring appropriate access control measures in place and monitored for all data sites and claims handling systems. Continuous monitoring and regular auditing.	Ian Williams	Michael Honeysett/Chris Ellmore/Julie Stacey/Michael Pegram/Rachel Cowburn	30-Dec-2017	Reviewed November 2016 - ongoing

## PENSION FUND – ADMINISTRATION

Risk Title	Description of Risk	Directorate	Current	Risk - Latest Note
------------	---------------------	-------------	---------	--------------------



			Risk Matrix	
FR FSV 1213 0003 T & P - Poor stakeholder engagement	Poor communication with stakeholders giving rise to disaffection and actions against Council	Finance & Corporate Resources		<p>Updated November 2016 – Likelihood has increased slightly, reflecting delays to updates to the scheme website. A revamp of the website is now underway.</p> <p>Auto-enrolment is now business-as-usual, with re-enrolment completed in 2016. Risks remain around ensuring that good communication is maintained with schools, who may use different staging dates and payrolls to the Council.</p> <p>Anticipated risks around the Freedom and Choice agenda have not materialised to date, with little interest shown by members in transferring out to DC schemes.</p>

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FRTP 0809 0003 A Comprehensive range of communication options		Michael Honeysett	Julie Stacey	30-Dec-2017	Reviewed November 2016 - updated and ongoing
FRTP 0809 0003 B Triennial schools comms for auto-enrolment	Schools receive a formal update prior to re-enrolment events to ensure school staff are aware	Michael Honeysett	Rachel Cowburn	30-Dec-2017	Added November 2016 - ongoing

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR FSV 1213 0009 T & P - Pension Overpayments	Pension Overpayments arising as a result of non-notification of death, re-employment, or ceasing education. This has financial and reputational consequences.	Finance & Corporate Resources		Reviewed November 2016 - ongoing.

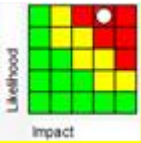
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
---------------	---------------------	---------------------	-----------------	----------	-----------------------

F RTP 0809 0009 A Pension Fraud : NFI	Management of NFI matches and follow up. NFI exercises to identify checks	Michael Honeysett	Julie Stacey	30-Dec-2017	Reviewed November 2016 - ongoing.
F RTP 0809 0009 B Pension Fraud : Annual Review	Write to pensioners each year over age 90 and overseas seeking confirmation of ongoing pension entitlement.	Michael Honeysett	Julie Stacey	30-Dec-2017	Reviewed November 2016 - ongoing.

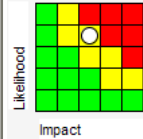
Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR FSV 1213 0044 T & P - Discretionary Policies	Regulations allow the Pension Fund and employers certain areas where they are able to exercise discretion. Excessively generous or insufficiently robust policies of the Pension Fund and employers exposed to higher costs and reputational risks.	Finance & Corporate Resources		Reviewed November 2016 - ongoing. Scheme changes (April 2014) prompted a revision of some discretions.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
F RTP 0809 0044 A Discretionary Policies in place.	Controls – Agreed policies and procedures to control such risks, which are regularly reviewed and approved by Pensions Committee.	Michael Honeysett	Julie Stacey	30-Dec-2017	Reviewed November 2016 - ongoing.
F RTP 0809 0044 B Awareness of employers	Ensuring that employers are aware of the additional costs that could arise from the exercise of their discretions or lack of policy.	Michael Honeysett	Julie Stacey	30-Dec-2017	Reviewed November 2016 - ongoing.

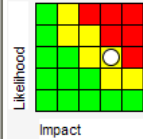
Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
------------	---------------------	-------------	---------------------	--------------------

FR FSV 1213 0043 T & P - Poor Membership Data	<p>Poor administration by the Pension Fund, employers and payroll providers participating in the Fund giving rise to inaccurate data giving rise to financial, reputational risks, actuary unable to set contribution rates, higher contribution rates, member dissatisfaction, inaccurate benefit statements produced, overpayment of benefits etc.</p>	Finance & Corporate Resources		<p>November 2016 – the likelihood of this risk has increased to very high. Significant problems with the payroll data being provided by the Council has meant that the quality of membership data has deteriorated since the introduction of the 2014 scheme. The complexity of the scheme has increased significantly and the Council’s payroll provider has been unable to respond to these changes, resulting in consistently poor provision of vital data across the Fund’s largest employer.</p>
-----------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------	-------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FRTP 0809 0043 A Monitoring of membership data	Controls – annual monitoring of membership records, valuation checks, external data validations	Michael Honeysett	Rachel Cowburn/Julie Stacey	30-Dec-2017	Reviewed November 2016 - ongoing.
FRTP 0809 0043 B Contributions monitoring	Monthly monitoring of contributions to ensure that employers paying across correct contributions along with membership data being supplied	Michael Honeysett	Rachel Cowburn/Julie Stacey	30-Dec-2017	Reviewed November 2016. Good communication with payroll, as accurate data is very important.
FRTP 0809 0043 C Performance Monitoring	Service Level Agreement with external administrator and monthly monitoring of contract. Monitoring of employers and Pensions Administration Strategy which enables Fund to recoup additional administration costs for sub-standard performance.	Michael Honeysett	Rachel Cowburn/Julie Stacey	30-Dec-2017	Reviewed November 2016
FRTP 0809 0043 D New Payroll Implementation	Early and consistent involvement in the implementation of the Council’s new payroll system (Go live date - July 2017). The Council’s payroll supplies data for the vast majority of the Fund – the Fund’s involvement with the implementation helps ensure the importance of good quality pension reporting is recognised	Michael Honeysett	Rachel Cowburn/Julie Stacey	30-Dec-2017	Updated November 2016

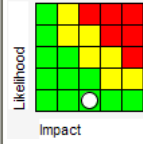
Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR FSV 1213 0050 Pension Administration Risk	Risks arising from administration of pensions by employers, the administering authority and the pension administrator. Poor administration could lead to incorrect pension payments, financial and reputational damage	Finance & Corporate Resources		Updated November 2016 - ongoing. Higher score has been maintained for this risk – elevated as a result of upcoming procurement of new Third Party Administration contract

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FRFSV 0809 0050A Clear policy and procedures for the administration of pensions	Ensuring there are detailed policies and procedures for all parties involved in administering the pension scheme – Pension Administration Strategy	Michael Honeysett	Julie Stacey	30-Dec-2017	Updated November 2016 - ongoing.
FRFSV 1112 0050B Monitoring of Performance	Regular performance monitoring of the third party administrator (monthly), employer checks (monthly), Pensions Committee reviewing of administrative performance. Benchmarking of performance against other authorities	Michael Honeysett	Julie Stacey	30-Dec-2017	Updated November 2016 - ongoing.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR FSV 1213 0054 Auto Enrolment Risk	Workplace Pensions or Auto-Enrolment came into effect 01/10/12 making auto-enrolment compulsory for all employers, albeit with different staging dates for implementation. LBH's staging date was 01/07/2013, with re-staging taking place on 01/07/2016. Clearly the initial risks have now passed, but issues around accurate reporting from the various payrolls persist, making the production of statutory communications difficult. This raises the possibility that the Council (as an employer) could receive a fine for non-compliance, which presents both financial and reputational risks.	Finance & Corporate Resources		Reviewed November 2016 - ongoing. Score maintained as a result of ongoing data issues relating to both the Council and the schools' outsourced payroll providers.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
---------------	---------------------	---------------------	-----------------	----------	-----------------------

FR FSV1213 0054B Auto Enrolment Risk B – Communications	Use of different forms of communications to reach wider possible audience to understand what Auto-Enrolment means for individuals and employers within the Pension Fund. Use of poster campaign, individual letters, presentations, internet, etc. Communications with employees and employers remains key.	Michael Honeysett; Ian Williams	Julie Stacey/Rachel Cowburn; Dan Paul	30-Dec-2017	Updated November 2016 - ongoing.
FR FSV1213 0054C Auto Enrolment Risk C – Cost Management	Calculation of the cost of implementing Auto-Enrolment both in terms of additional contributions from employers and the actual cost of implementation and ongoing monitoring needs to be clear and built into employer budgets.	Michael Honeysett; Ian Williams	Julie Stacey/Rachel Cowburn; Dan Paul	30-Dec-2017	Updated November 2016 - ongoing.
FR FSV1213 0054E Auto Enrolment Risk E - Monitoring	Monthly monitoring of Auto-Enrolment to ensure all new employees are auto-enrolled and to ensure that any existing employees who were previously not eligible or who had previously opted out are auto-enrolled should their circumstances change. Use of payroll/ pension /middleware to ensure compliance with legislation.	Michael Honeysett; Ian Williams	Julie Stacey/Rachel Cowburn; Dan Paul	30-Dec-2017	Updated November 2016 - ongoing.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR FSV 1415 001 Freedom and Choice in pensions.	This change in the rules to pension schemes in the UK introduces the potential risk that scheme members could transfer all their benefits to a defined contributions (DC) scheme in order to access all their savings. This could result in a significant outflow of resources from the Council's fund and therefore have notable financial implications.	Finance & Corporate Resources		Updated November 2016 - ongoing. The likelihood of this risk materialising has been revised significantly downwards, as there has been very little interest and no take up from the membership since the changes were introduced.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FR FSV 1415 001A Freedom and Choice	Continue to monitor interest and take-up of transfers out – however, likelihood that risk will materialise now appears very low.	Michael Honeysett	Julie Stacey/Rachel Cowburn	30-Dec-2017	Updated November 2016 - ongoing.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
------------	---------------------	-------------	---------------------	--------------------

FR FSV 1314 001 Teachers' Pension Scheme (TPS) changes and data management	<p>The 2015 changes to the Teachers' Pension Scheme have generally been successfully implemented. However, ongoing risks remain around transition members (those due to transition to the new scheme in the future) and the timing of those transitions.</p> <p>Additionally, auto-enrolment and scheme changes increase the risk that the data held by external payroll providers and Teachers Pensions is incorrect, which could result in the Council being held liable for backdated contributions. This could impact on both the Council's finances and its reputation.</p>	Finance & Corporate Resources		Updated November 2016 – ongoing. The risks relating to the scheme changes themselves have decreased substantially; however, the rating has been maintained to allow for new risks relating to ongoing administration.
----------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------	--	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FR FSV 1314 001A – TPS return	Completion of TPS return acts a reconciliation of membership numbers	Michael Honeysett	Julie Stacey/Rachel Cowburn	30-Dec-2017	Updated November 2016 - ongoing.
FR FSV 1314 001B – TPS return	Review of auto-enrolment and scheme data for payroll transition	Michael Honeysett	Julie Stacey/Rachel Cowburn	30-Dec-2017	Added November 2016 - ongoing.

## PENSION FUND – GOVERNANCE

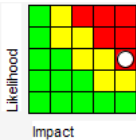
Risk Title	Description of Risk	Directorate	Current	Risk - Latest Note
------------	---------------------	-------------	---------	--------------------

			Risk Matrix	
FR FSV 1213 0055 Governance Risk	<p>Governance of both the Treasury function and the Pension Fund resides with Corporate and Pension Committees respectively. Both areas carry significant financial and reputational risks. It is therefore crucial that those charged with governance understand the full implications of the decisions which are being taken in these areas. Membership turnover on Committees poses risks due to lack of understanding of the responsibilities.</p> <p>New Governance regulations for LGPS were introduced in 2015, requiring the set-up of a Local Pension Board for each fund. This has presented a potential recruitment risk; as the Fund now has fewer large employers, ensuring that the Board has the required number of members meeting the necessary standards is becoming increasingly challenging. The Pensions Regulator now has oversight of the governance and administration of the LGPS.</p>	Finance & Corporate Resources		<p>Updated November 2016 - ongoing.</p> <p>The risk score here has been maintained – despite no new requirements for 2016/17, the reduction in the number of Fund employers has ensured that staffing the Pensions Committee and Pension Board remains challenging.</p>

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FR FSV 1213 Governance Risk A – Knowledge and Skills Training Programme	Training programme for Committee and Board Members to ensure that they have the requisite knowledge and skills to be in a position to question and understand the agenda and recommendations put before them to make high level strategic decisions.	Michael Honeysett; Ian Williams	Rachel Cowburn	30-Dec-2017	Updated November 2016 - ongoing.
FR FSV1213 0055B Governance Risk B – Assessment	Committees and the Pension Board to undertake assessment to ensure that their level of understanding is adequate for the decisions being made. Monitoring potential changes to ensure that arrangements can be put in place to meet new regulatory requirements	Michael Honeysett; Ian Williams	Rachel Cowburn	30-Dec-2017	Updated November 2016 - ongoing.
FR FSV1213 0055C Governance Risk C – S141 Responsibilities	CIPFA have issued a Code of Practice on the Knowledge and Skills Framework for the Pension Fund and the Section 151 Officer has responsibility for the implementation of its requirements. The GD of F&CR will ensure that the Code is implemented and that a policy statement is included in the Annual Report & Accounts	Michael Honeysett; Ian Williams	Rachel Cowburn	30-Dec-2017	Updated November 2016 - ongoing.
FR FSV1213 0055D Governance Risk D – Succession Planning for Committees	Continuity of membership on the Corporate and Pensions Committees and the Pension Board for at	Michael Honeysett; Ian Williams	Rachel Cowburn	30-Dec-2017	Updated November 2016 - ongoing

	least a portion of the Membership will ensure that knowledge and skill is maintained to a reasonable level. Succession planning to ensure some continuity of Membership and access to suitable training will help to ensure that the knowledge base is maintained within Committees and the Pension Board.				
--	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	--	--	--

## PENSION FUND – INVESTMENTS & ACTUARIAL

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR FSV 1617 001 Asset Pooling	<p>In October 2015, the Government called for the assets of the 89 LGPS funds in England and Wales to be merged into (approx.) 6 pools of £25bn+ of assets. The pooling agenda introduces a number of new risks for the Pension Fund (as well as for the pools themselves) including but not limited to:</p> <ul style="list-style-type: none"> <li>• Transition risk – the Fund incurs excessive additional cost as a result of transition to the pooled arrangement, resulting in a loss of value</li> <li>• Concentration and capacity risks – pooling arrangements result in excessive concentration of assets amongst relatively few institutions. The large scale of the pooling arrangements also creates potential capacity issues, with the pools potentially forced to focus on only the larger end of the market.</li> <li>• Political risk – the Government has made clear its wish that the pools set an aspiration to invest in UK infrastructure. This presents a potential conflict of interest for the Fund in setting its asset allocation strategy.</li> <li>• Reputational risks – the pooling agenda is a highly ambitious one, involving the use of relatively new investment vehicles (the ACS) and entirely new governance arrangements. The failure of a pooled</li> </ul>	Finance & Corporate Resources		Introduced November 2016 - ongoing. Score is high to reflect the scale and pace of change demanded, with significant impact if the new arrangements are not successful.



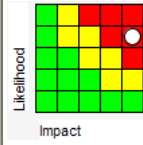
	<ul style="list-style-type: none"> <li>arrangement could have significant consequences for the future of the LGPS.</li> <li>Strategy risk – the Fund’s chosen asset pool does not deliver suitable investment strategies to allow the fund to meet its objectives</li> </ul>			
--	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	--	--

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FR FSV 1617 001A Monitoring developments and responding to consultations	Monitor proposed changes, consultations and guidance from Government on the pooling agenda, responding where appropriate to influence outcomes. Amend process where required to ensure compliance	Michael Honeysett	Rachel Cowburn/Chris Ellmore	30-Dec-2017	Reviewed November 2016 - ongoing.
FR FSV 1617 001B Maintain close working relationship with chosen asset pool	Maintain good working relationship to ensure that the Fund is fully aware of developments at the pool level and the pool is aware of and responds to the Fund’s strategic requirements	Michael Honeysett	Rachel Cowburn/Chris Ellmore	30-Dec-2017	Reviewed November 2016 - ongoing.
FR FSV 1617 001C Transition planning	Planning for transition considered as part of Investment Strategy development to ensure assets are transitioned efficiently and within the required timeframes.	Michael Honeysett	Rachel Cowburn/Chris Ellmore	30-Dec-2017	Reviewed November 2016 - ongoing.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR FSV 1213 0041 T & P - Asset/Liability mismatch	Assets and liabilities impacted by investment performance Assets could fail to increase at the same rate as liabilities giving rise to a larger deficit and therefore increased cost to the Pension Fund	Finance & Corporate Resources		Reviewed November 2016 - ongoing. Risk remains high, particularly as recent geopolitical events (Brexit, US election outcome) are likely to result in market volatility. Impact has been increased to bring into line with FR FSV 1213 0042 (T & P - Investment Performance)

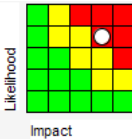
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
F RTP 0809 0041 A Asset allocation reviews	Controls in place to monitor assets and liabilities of the pension fund and to review asset allocation on a regular basis to ensure it remains appropriate.	Michael Honeysett	Rachel Cowburn	30-Dec-2017	Reviewed November 2016 - ongoing.

F RTP 0809 0041 B Use of external advisers	Use of external advisers– actuarial and investment, to advise the Fund on how to manage the asset/liability mismatch. Pensions Committee also helps support this.	Michael Honeysett	Rachel Cowburn	30-Dec-2017	Reviewed November 2016 - ongoing.
F RTP 0809 0041 C Strategic goal Setting	Set strategic goals to achieve full funding and set targets to make changes to the assets when appropriate to do so	Michael Honeysett	Rachel Cowburn	30-Dec-2017	Reviewed November 2016 - ongoing.

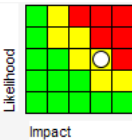
Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR FSV 1213 0042 T & P - Investment Performance	As a result of the types of assets invested in, or performance of individual fund managers, there is a poor investment performance, impacting on the overall finances of the Council.	Finance & Corporate Resources		Updated November 2016 - ongoing. Likelihood has been increased to reflect increased uncertainty and likely volatility in investment markets as a result of Brexit and other geopolitical concerns.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FRFSV 1213 0053B Pension - Valuation Monitoring	Triennial Valuation assesses the funding position, inter-valuation monitoring ensures that movements in the Funding position can be assessed and strategies to manage any deterioration are put in place.	Michael Honeysett	Rachel Cowburn	30-Dec-2017	Updated November 2016 - ongoing.
FRFSV 1213 0053C Identifying the external risk factors that affect the funding position	Identifying the various risk factors, asset/liability, investment, longevity, interest rates, inflation, liquidity, etc. and how the interaction of these impacts on the funding position and adapting the strategy and business plans to manage these risk where feasible.	Michael Honeysett	Rachel Cowburn	30-Dec-2017	Updated November 2016 - ongoing.
F RTP 0809 0042 D Appropriate levels of knowledge and skills to make decisions	Use of external advisers to assist in making investment decisions and ensuring that decision takers understand the investments of the fund	Michael Honeysett	Rachel Cowburn	30-Dec-2017	Updated November 2016 - ongoing.

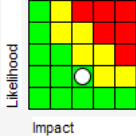
Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
------------	---------------------	-------------	---------------------	--------------------

FR FSV 1213 0040 T & P - Increased Longevity	Pensioners living longer, therefore drawing pensions for longer than had been accounted for within the funding position. This is leading to increasing liabilities of the pension fund giving rise to higher costs and major financial implications. Longevity Risk.	Finance & Corporate Resources		November 2016 - reviewed and this risk remains high. There has been a reduction in the rate of increase in life expectancy; however, this is based on greater than expected mortality during 2012/13 and is not currently sufficient to warrant a decrease in the risk rating. It should be noted that post 2014, the scheme pension age mirrors that of the state, thus reducing the liability slightly compared to previous years.
----------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------	-------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FRTP 0809 0040 A Monitoring of Pension Fund position	Controls in place to monitor developments with Fund Actuary and Triennial valuations, targeting increased funding level to be able to cope with increased longevity.	Michael Honeysett	Rachel Cowburn	30-Dec-2017	Reviewed November 2016 - ongoing.
FRTP 0809 0040 B Raising retirement ages to match increasing longevity	Scheme retirement age in line with the state pension (as of April 2014), regulatory changes to reflect increase in State Pension Age Retirement and a linking of future increases in longevity with increasing retirement age, would help it be possible to downgrade the risk rating associated with people living longer.	Michael Honeysett	Rachel Cowburn	30-Dec-2017	Reviewed November 2016 - ongoing.
FRTP 0809 0040 C Fund profiling to monitor specific experience	Club Vita membership to annually monitor the LBH specific fund longevity profile.	Michael Honeysett	Rachel Cowburn	30-Dec-2017	Reviewed November 2016 - ongoing.
FRTP 0809 0040 D Consideration of a range of developing options	Monitoring of developing financial instruments which may provide insurance for the Fund; e.g. longevity swap and buy out, should these be deemed appropriate for the Fund.	Michael Honeysett	Rachel Cowburn	30-Dec-2017	Reviewed November 2016 - ongoing.

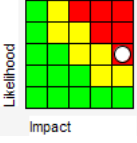
Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR FSV 1617 0001 T & P Climate Change/Stranded Assets	The implementation of COP21 political commitments dramatically reduces the proportion of fossil fuel reserves that can be used, with a subsequent impact on the business models and valuations of fossil fuel companies. This could materially reduce the value of the Fund's holdings.	Finance & Corporate Resources		Added November 2016 - ongoing. Likelihood dependent on strength of international political commitment to carbon reduction. Impact if proposals fully carried through could be considerable if no action taken.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FR FSV 1617 0001A – Monitoring of exposure	Periodic monitoring of the Fund’s exposure to fossil fuel reserves and power generation to assess level of risk. Initial assessment carried out in July 2016.	Michael Honeysett	Rachel Cowburn	30-Dec-2017	Added November 2016 - ongoing.
FR FSV 1617 0001B – Policy Statement	Inclusion of a policy statement setting out the Fund’s approach to climate risk within the Investment Strategy Statement	Michael Honeysett	Rachel Cowburn	30-Dec-2017	Added November 2016 - ongoing.
FR FSV 1617 0001C – Consideration of low carbon investment options	Review options for low carbon investment, including: -Low Carbon Workplace property Fund (£20/25m completed) -Review of passive equity investment -Allocation to sustainable active equity fund	Michael Honeysett	Rachel Cowburn	30-Dec-2017	Added November 2016 - ongoing.
FR FSV 1617 0001D – Engagement activities	Maintain active approach to engagement on climate issues with Fund managers and investee companies	Michael Honeysett	Rachel Cowburn	30-Dec-2017	Added November 2016 - ongoing.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR FSV 1213 0048 T & P - Admission/Scheduled Body failures or deficits on termination	Risk employer goes into default, deficit on termination, change of status, financial risk	Finance & Corporate Resources		Updated January 2016 - ongoing.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FRTTP 0809 0048 A Admission/Scheduled Body failures or deficits on termination	Controls – valuation and inter-valuation monitoring, monitoring of contributions, employer covenant check, putting bonds/guarantees in place for admission bodies. Ensure funding levels remain high for individual employers	Michael Honeysett	Rachel Cowburn	30-Dec-2017	Reviewed November 2016 - ongoing.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
------------	---------------------	-------------	---------------------	--------------------

FR FSV 1213 0053 Pension Funding Risk	The fund is unable to meet its liabilities, due to a mismatch of assets/liabilities. The Funding position as at March 2016 was 77% i.e. 77p of assets to cover every £1 of liabilities. Further deterioration of the funding position either through poor asset returns or increasing liabilities could result in the Council and other employers being required to make significant additional employer contributions to cover the deficit in the Fund. Significant financial and reputational risks.	Finance & Corporate Resources		Updated November 2016 - ongoing.
---------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------	-------------------------------------------------------------------------------------	----------------------------------

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FRFSV 1213 0052D Knowledge and Skills	Ensuring those charged with governance of the Fund and for managing the day to day operations have the requisite knowledge and skills to make informed decisions when managing the funding position.	Michael Honeysett	Rachel Cowburn	30-Dec-2017	Updated November 2016 - ongoing.
FRFSV 1213 0053B Pension - Valuation Monitoring	Triennial Valuation assesses the funding position, inter-valuation monitoring ensures that movements in the Funding position can be assessed and strategies to manage any deterioration are put in place.	Michael Honeysett	Rachel Cowburn	30-Dec-2017	Updated November 2016 - ongoing.
FRFSV 1213 0053C Identifying the external risk factors that affect the funding position	Identifying the various risk factors, asset/liability, investment, longevity, interest rates, inflation, liquidity, etc. and how the interaction of these impacts on the funding position and adapting the strategy and business plans to manage these risk where feasible.	Michael Honeysett	Rachel Cowburn	30-Dec-2017	Updated November 2016 - ongoing.
FRFSV 1213 0053E Cashflow Monitoring	Quarterly monitoring of Pension Fund cashflows to ensure that there is sufficient cash inflows from contributions and income to meet the cash outflows from benefit and cost payments. This will also provide early warning of potential cashflow mismatch and possible changes to investment strategy. Longer term cashflow monitoring in conjunction with the Fund Actuary to establish trigger points for the Fund becoming cashflow negative.	Michael Honeysett	Rachel Cowburn	30-Dec-2017	Updated November 2016 - ongoing.

## PENSION FUND – ACCOUNTANCY

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR FSV 1213 0001 T & P - Pension fund Underlying financial information is incorrect	Information contained in Report & Accounts is inaccurate due to poor financial controls and recording of financial information leading to qualification of accounts and inaccurate valuations with financial and reputational impact.	Finance & Corporate Resources		Reviewed November 2016 - This is ongoing, although a successful transfer to the Fund's new custodian was completed during 2014/15

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
F RTP 0809 0001 A Pension fund Underlying financial information is incorrect: Monitoring Reconciliations of key financial transactions.	Monthly, quarterly & annual reconciliations of all accounting data	Michael Honeysett	Rachel Cowburn	30-Dec-2017	Reviewed November 2016 - ongoing.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR FSV 1415 003 Accounts deadlines	A new deadline for the closure of accounts (31/05/2016) will formally take effect for 2016/17. All the teams in Financial Services will have to complete work a month earlier than previously and this will place an additional strain on resources at a time when numerous other changes and demands are occurring. This could have serious implications on services delivery with such demanding deadlines aligned with limited resources.	Finance & Corporate Resources		Updated November 2016 - Likelihood has reduced slightly following a largely successful trial run in 2016 and the recruitment of additional accounting staff. However, this remains an amber level risk, as the deadlines involved remain tight.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FR FSV 1415 003A Accounts deadlines.	Comprehensive timetables prepared for both Corporate and Pension Fund closedown; regular updates on progress	Michael Honeysett	Rachel Cowburn	30-Dec-2017	Reviewed November 2016 - ongoing.