

Risk Register

To 23 November 2023

	Risk	Type	Existing Controls	Impact	Likelihood	Risk factor	Future Controls	Impact	Likelihood	Risk Factor
1	If other scheme employers cease trading or operating for any reason the Scheme Actuary will calculate a cessation valuation of their liabilities. If that employer cannot meet that liability the burden falls on the other employers in the Fund to make good the shortfall.	Governance Risks	<p>A revised Funding Strategy Statement and separate satellite policies on Contribution Reviews, Academies Funding, Bulk Transfers, Cessation and Prepayments were agreed by the Committee on 14 March 2023.</p> <p>These policies are designed to mitigate the risk to the Fund, by ensuring employers funding levels are appropriate and contributions are set in order to continue on a path towards zero value deficit or surplus at cessation. The Fund puts measures in place such as bonds and parent company guarantees or reduces the funding time horizon to reduce the impact resulting from employer failures.</p>	3	3	9	Our Fund actuary is currently carrying out a covenant monitoring exercise. A report is being considered by committee on 12 December 2023 amending our Admissions, Academies and FSS policies to make passthrough the Fund's default admission basis and incorporating the DFE guarantee extension to contracts let by academies.	2	2	6

2	The Fund's invested assets are not sufficient to meet its current or future liabilities. This would lead to pressure to increase contribution rates in the future.	Funding - Assets and Liabilities Risks	A formal actuarial valuation is carried out every three years. The Funding position of the Fund has improved to 97%. The Funding Strategy for the Fund has been agreed on with help of advice from the Fund's Actuary and is based on the likelihood that there is a 75% chance that the funding target will be achieved. The current Strategy was agreed by the Committee in March 2023.	4	2	8	Officers are looking at ways of monitoring the funding level on a quarterly basis rather than waiting for a full valuation every three years. Officers are working with the Actuary to implement this by 31 March 2023	4	1	4
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3	Liquidity risk - High inflation increases benefits payable at a faster rate and third of the Fund is held in illiquid investments. This means there is a risk that the authority might find itself with insufficient cash to meet short term and medium term liabilities without having to disinvest and thus damage the prospects of generating adequate investment returns	Funding - Assets and Liabilities Risks	The Fund's contribution income is currently enough to cover the short term liabilities and medium term cashflow projections imply that there is no immediate threat to the Fund's liquidity. This is kept under constant review. There are also sufficient income generating assets in the portfolio which can be drawn on to cover any cash requirements. Cash held by the Fund is at 2%, but we are looking to reduce this following implementation of a revised asset allocation following review.	3	1	3	No future controls planned	3	1	3
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4	There is a possible risk of scheduled or admitted bodies not paying over contributions, which involves the administering authority in incurring unnecessary costs.	Funding - Assets and Liabilities Risks	A structured process is in place to monitor receipts of contributions. Contributions and schedules are chased promptly and reconciled. Improved team communications is aiding in this process. which is monitored by the Pensions Board. These measures are improving outcomes. In the event of significant issues occurring the authority has retained legal advisors to mitigate this risk, possibly through legal channels. There is still one significant ongoing case in terms of contributions due arising from a dispute concerning valuation which we are working with our legal advisors to resolve.	3	3	9	Our administration strategy was agreed by the Committee in their meeting of 20 June 2023. Should engagement with scheme employers to resolve issues not be successful, which is always our preferred option, there are opportunities within the strategy to impose financial penalties. This, together with our checking and engagement processes, require more time to administer and resources across the governance and accounts teams are impacted. Additional staffing is in the process of being secured.	3	2	6
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5	<p>There is a risk that, under any set of circumstances, an asset will underperform. The Fund has a significant allocation to several single asset categories - for example, equities, fixed interest, property or alternatives - which potentially leaves the Fund exposed to the possibility that a particular class of assets will underperform relative to expectation.</p>	<p>Investment Risks</p>	<p>The investment allocation mix is in a variety of uncorrelated investments designed to give a diverse portfolio, meaning any one investment class should not unduly impact on the performance of the overall portfolio if it underperforms relative to expectation. The revised asset allocation review recommended an allocation to credit which should increase the diversification of the Fund.</p>	3	3	9	<p>Implement the revised asset allocation.</p>	3	2	6
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6	<p>General underlying risk of a global collapse in investment markets. The markets have experienced a continuous sequence of such events: Latin American sovereign debt; Black Friday crash; the Dot.com bubble; sub-prime, credit crunch, the Coronavirus pandemic and Russia's invasion of Ukraine. Other crises are inevitable.</p>	<p>Global Macroeconomic Risks</p>	<p>The discount rate assumption is reviewed at every valuation to ensure it gives appropriate views on future return expectations. The Fund is also well diversified which provides a degree of protection. The diversified nature of the Fund meant that the Fund was well protected during the Coronavirus pandemic</p>	4	3	12	<p>No future controls planned</p>	4	3	12
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7	<p>Cyber Security – Risk to systems including by system failure, ineffective business continuity plan and lack of adequate monitoring arrangements for third party suppliers. If adequate protections are not in place to prevent system failure working time could be affected impacting workloads and delivery of key performance indicators. If an effective business continuity plan is in place and communicated to staff the impact of any system failure will be increased. If adequate monitoring arrangements for suppliers are not implemented and reviewed service delivery may be adversely affected.</p>	<p>Operational Risks</p>	<p>Heywoods is a hosted system. They have processes in place for backing up files, storing data safely and preventing system failure. This is included in the contract we have with them. The technical team keep logs of issues and responses to monitor this. We have a business continuity plan in place should issues arise. Key suppliers, Aquila Heywood and Hymans Robertson both have ISO 270001 which is the international standard for information security management systems (ISMS).</p>	4	3	12	<p>A draft Cyber Strategy and action plan is being considered by the Committee on 12 December 2023. Work is currently being undertaken in conjunction with AON to address focus areas. Due to the nature of the ever evolving threats, the strategy will be reviewed at least annually.</p>	4	2	8
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8	<p>Cyber Security - risk of unauthorised access to personal and other data including by unsafe home working practices, data access protection and levels and safe storage of data. If safe working practices are not followed devices could be lost or stolen or data could be viewed or tampered with. If data access levels are not kept up to date and set at a level appropriate for the performance of the duties of the role only, any possible misuse or error will have a more severe effect. If data held on the pension system is not backed up there is a risk of data being lost in the event of a system failure</p>	<p>Operational Risks</p>	<p>Mandatory GDPR and Cyber Security training has been provided to all new and existing staff. There is a remote working protocol available on the staff intranet which includes guidance on working securely, in addition to a good practice guide on information management. When working from home devices are encrypted and accessed via a VPN. Bit locker and passwords are required to access systems. No physical papers are taken home and staff are advised of the need to keep computers in a secure place, never to leave devices unattended and not to access systems in public locations. Appropriate data access levels to the pensions administration system are assigned by the Technical Support Team on appointment or change of role, according to the requirements of the role.</p>	4	3	12	<p>A draft Cyber Strategy and action plan is being considered by the Committee on 12 December 2023. Work is currently being undertaken in conjunction with AON to address focus areas. Due to the nature of the ever evolving threats, the strategy will be reviewed at least annually.</p>	4	2	8
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9	<p>McCloud Judgement. There is a risk affecting our ability to implement the requirements of the McCloud judgement post resolution. Issues include lack of historic data, appropriate resource, capacity or budget to undertake the work. This could result in legal breaches reportable to the Pensions Regulator, incorrect pension entitlements being calculated for pensioners and loss of confidence in the service by scheme members and employers</p>	<p>Operational Risks</p>	<p>The team are working overtime to try and ensure the data quality is as good as it can be and the Scheme Advisory Board has issued guidelines on how to deal with problems caused by data accuracy. We expect the financial impact on the Fund to be small, the impact on members to be small, but the work for the admin team to be high.</p>	3	3	9	<p>No future controls planned</p>	3	3	9
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10	Cyber Security – The heightened security threat level due to the Russian invasion of Ukraine could potentially result in added risks to the pension administration system.	Operational Risks	In response to the heightened threat, Heywoods have conducted focused threat simulations based upon potentially malicious email traffic, reinforced organisational awareness of the threat landscape and raised vigilance through additional staff training and blocked access/internet traffic from specific countries.	4	3	12	Heywoods will continue to closely monitor the cyber threat landscape, particularly threats connected with events in Ukraine. When necessary, they will take immediate action to mitigate against new threats as they emerge.	4	2	8
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11	<p>In February 2022 DLUHC issued the Levelling Up white paper requiring Funds to deploy at least an additional 5% of their capital to relevant investment opportunities in the UK. The additional requirement could be problematic for funds such as Croydon which already allocate a significant proportion of their capital to the UK in illiquid assets.</p>	<p>Investment Risks</p>	<p>It is unlikely that the Fund will be forced into a position which would mean an unacceptable imbalance in the asset allocation of the Fund. The Fund is not currently committing any further investments to its illiquid portfolio.</p>	4	2	8	<p>If the risk materialises the Fund will seek to follow the direction over a period of time in order to manage any imbalance in the portfolio.</p>	4	2	8
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12	Changes in legislation affect the level of performance of the Pensions Admin Team. Scheme members experiencing delays in receipt of their pension entitlement. Statutory deadlines are not met leading to breaches of legislation and pension regulator requirements. Scheme member dissatisfaction. Reputational damage. Financial penalties. Legal action / challenge	Operational Risks	Key Performance Monitoring Report completed each month against legal deadlines and team targets reported to Pensions Committee and Board each meeting. Maintaining awareness of latest legislative requirements. Robust checking procedures at all stages. Staff knowledge - Recruitment of staff of suitable experience Continuous training of existing staff. Currently fully resourced administrative function.	4	3	12	Continue detailed planning in respect of legislative changes. Development of IT and automation. Increase to Employer engagement.	4	2	8
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13	System malfunction or interruption of our banking systems. The FCA disclosed that in the last 9 months of 2018 there were more than 300 IT failures impacting on bank customers ability to access their funds. The 6 largest banks on average experience one IT failure every 2 weeks. The risk is that one of these failures is for a sustained period of time impacting on BACS and CHAPS payments both into and out of the council. This could prevent members of the public and businesses from accessing funds, result in financial loss and /or service interruption.	Operational Risks	Actively review/assure in relation to bank controls. Automatic compensation paid for major interruptions	4	3	12	No future controls planned	4	3	12
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14	Risk of losing or being unable to recruit suitably experienced staff. The Head of Pensions and Treasury has retired and other positions within the Pension Team have been vacant for a while. Lack of resourcing and knowledge will have a detrimental impact on the performance of the fund.	Operational Risks	The Pension Team have recruited temporary resources in the Treasury Team for the immediate future and are in the process of creating two new posts in the governance team. We are working with our advisors more widely to make greater use of their resources.	3	4	12	Developing inhouse knowledge and capacity will mitigate the risk of skills drain if staff leave. A review of the pensions function will assist in further developing effective service delivery.	3	3	9
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15	<p>Conflicts of interest This could lead to a lack of clarity around when it is necessary for Committee and Board members to declare / disclose interests that could impact on decisions they are taking. When acting in their capacity as Committee members their priority should be the interests of the Fund. Without appropriate scrutiny and transparency, the interests of the Fund could be compromised.</p>	<p>Governance Risks</p>	<p>A new Fund Conflicts of Interest Policy was agreed at the September Committee meeting. A standing agenda item is included in every meeting asking if any member has an interest that they need to disclose. A member of Democratic Services attends every meeting and can provide advice on whether a disclosure is needed. The Board Chair regularly attends Committee meetings and will highlight potential items where a disclosure may be appropriate. Democratic Services keep a log of Member Interests.</p>	4	2	8	<p>AON will be delivering a training session to the Committee and Board in the first half of 2024.</p>	4	1	4
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16	Climate Change	Investment Risks	When setting the funding strategy the Fund included climate scenario stress testing in the contribution modelling exercise for the Council at the 2022 valuation. The results provided some assurance that the funding strategy is resilient to climate risks. The Fund agreed a revised Investment Strategy Statement and Responsible Investment Policy at the September 2023 Committee meeting.	2	5	10	The Fund will implement the Task Force For Climate Change Disclosures when required by legislation. This will enable the Fund to monitor and take action to mitigate risks arising from Climate Change.	1	5	5
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Below 10 is considered a Green Risk.

A score between 10 and 19 is an Amber Risk.

A score of 20 or above is a Red Risk.

16	No of Risks on Register
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8	No of Current Green Risks
8	No of Current Amber Risks
0	No of Current Red Risks

14	No of Future Green Risks
2	No of Future Amber Risks
0	No of Future Red Risks

Risk Matrix		IMPACT				
		1	2	3	4	5
		Insignificant	Minor	Moderate	Major	Catastrophic
LIKELIHOOD	5 Almost Certain	5	10	15	20	25
	4 Likely	4	8	12	16	20
	3 Possible	3	6	9	12	15
	2 Unlikely	2	4	6	8	10
	1 Rare	1	2	3	4	5

Impact is measured on a scale of 1 to 5.

A score of 1 suggests that the potential impact would be insignificant and a score of 5 would be catastrophic.

Likelihood is also measured on a scale of 1 to 5.

In this instance a score of 1 suggests that the occurrence will be rare and score of 5 would be almost certain to happen.