

The Highland Council

Pensions Committee - 14 August 2014

Agenda Item	10
Report No	PC/09/14

Risk Management Review and Update Report

Report by Director of Finance

Summary

This report provides members with information on the Highland Council Pension Fund's risk register, future risk management arrangements and provides a review of current risks.

1. Background

- 1.1 In November 2012, CIPFA issued guidance on "Managing risk in the Local Government Pension Scheme" which set out the role of the Pensions Committee as follows:
- Determining the risk policy and reconciling this with the wider organisational risk policy;
 - Setting the risk management strategy in line with the risk policy;
 - Overseeing the risk management process.
- 1.2 The Highland Council Pension Fund's Funding Strategy Statement (January 2013) identified key risks which could impact on the achievement of the Fund objectives and acknowledged that future risk registers would refer to the CIPFA publication. However, there was not a separate risk register in place.
- 1.3 Audit Scotland acknowledged that the risk management process in the Funding Strategy Statement was fairly comprehensive but highlighted that a separate risk register was not maintained (Audit Scotland Internal Controls report 2012/13). Therefore in order to follow best practice, it was agreed that a separate risk register would be set up.

2. Risk Register

- 2.1 The risk register was drafted by identifying the key objectives of the Pension Fund (key objective categories were Governance, Investments, Funding, Administration and Communications) and risks that would prevent these objectives being achieved. Around 80 potential risks were identified. The next step was to score the risks as Red, Amber or Green depending on the impact and likelihood of the risk and taking into account any mitigating controls. The risk register was then circulated to the relevant officers for comment.
- 2.2 The Highland Council's Internal Audit and Risk Management section reviewed the risk management register and referred to this in their Statement on the System of Internal Financial Control in the Highland Council Pension Fund accounts 2013/14.

2.3 Internal Audit has recommended that a separate risk policy for the Pension Fund is produced and communicated to all stakeholders. In addition a risk management strategy is formed in line with the risk policy and that the risk register should be regularly reviewed with focus on the highest risk areas and those where the position has changed since the last review.

3. Future Risk Management Arrangements

3.1 In order to manage risk on an ongoing basis, the intention is to review the risk register regularly and add risks as required. Any red and amber risks on the risk register and action being taken to manage and address these risks will be reported to future Pensions Committee meetings. Members will also have the opportunity to highlight any risks that they consider should be added to the risk register.

3.2 This Pension Fund risk register is an interim process and the Fund intends to develop a risk register in line with the Council's Risk Management process with assistance from the Council's Audit and Risk Manager.

3.3 A risk management policy and strategy and will be developed and presented to a future Pensions Committee for approval.

4. Review of Current Pension Fund Risks

4.1 As at the 30 June 2014, there were no red risks and the following risks were identified on the Highland Council Pension Fund risk register as being the most significant for the Pension Fund. The extract from the risk register is at Appendix 1.

4.2 The residual risk for these risks is Amber, however taking into account mitigating controls, these risks are being actively managed and the Red/Amber/Green (RAG) status is Green.

5. Implications

5.1 The resource and risk implications are covered in the above report. There are no Legal; Equalities; Climate Change/Carbon Clever; Gaelic and Rural implications relating to this report.

6. Recommendation

Members are asked to note this report and the future risk management reporting arrangements.

Designation: Director of Finance

Date: 30 July 2014

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Appendix 1

Objective area	Description	Risk owner	Gross risk rating (RAG)	Current controls	Date of assessment	Residual Risk status (RAG)
Governance	Change to Local Government Pension Scheme (LGPS) e.g. 2015 changes and lack of expertise in this area in Pensions Committee and Investment Sub Committee (ISC).	Pensions Committee/ISC/Officers	A	The Highland Council Pension Fund (HCPF) follow CIPFA Skills and Knowledge framework to ensure staff adequately trained. Officers attend relevant LA peer group meetings (Pensions and Investment) and training as do Members. Investment advisor provides support as required. Programme of member/officer briefings already underway in 2014. An Employers seminar will be held 30/10/14.	30/06/2014	G
Governance	New risks are not identified or risk register is not kept up-to-date.	Pensions Committee/ISC	A	Risk register will be regularly reviewed by officers and formally reported to Committee on a regular basis.	30/06/2014	G
Investments	Inefficiencies with the portfolio can result in unintended risks.	Pensions Committee/ISC/Officers	A	Diversified portfolio - ISC review portfolio performance quarterly. Investment Adviser provides ISC with advice. Asset Strategy review currently being undertaken. Triennial Valuation completed which is linked with Funding Strategy and setting of SIP.	30/06/2014	G
Investments	If investment strategy is inconsistent with funding plan then it can lead to employers paying the incorrect contribution rate.	Pensions Committee/ISC/officers	A	Asset Strategy review currently being undertaken and triennial Valuation completed as concurrent exercises.	30/06/2014	G