

**REPORT OF THE SERVICE DIRECTOR – SERVICE DIRECTOR CUSTOMERS,
GOVERNANCE AND EMPLOYEES**

RISK MANAGEMENT STRATEGY AND RISK REGISTER

Purpose of the Report

1. This report updates the Board on the adoption of a new risk management strategy for the Fund and the ongoing work reviewing the Fund's risk register.

Information

Risk Management Strategy

2. Risk management is a key element in the Fund's overall framework of internal control and its approach to good governance.
3. The Fund's risk management strategy sets out its risk appetite and how it will manage the risks it has identified. It requires the Fund to:
 - Identify key risks that would affect the Fund's aims
 - Assess the risks for likelihood and impact
 - Identify mitigating controls
 - Allocate responsibility for the mitigating controls
 - Maintain a risk register detailing the risk features identified above
 - Set out arrangements for reviewing and updating the risk register
 - Set out the reporting and monitoring arrangements, including the roles of the Nottinghamshire Pension Fund Committee and the Local Pensions Board
4. At its meeting on 12 December 2024, the Nottinghamshire Pension Fund Committee approved a new risk management strategy for the Fund; this is attached as **Appendix A** to this report for the Board's information. Updates included:
 - Adjusting the focus of the strategy from general narrative about responsibilities within the Fund to frame responsibilities in terms of managing risk
 - Changes to reflect the Pension Regulator's General Code of Practice
 - The addition of the Fund's aims in respect of risk management
 - Setting out how the Fund identifies risks and how they are analysed

- Adding information on processes and the ongoing management of risks and reporting arrangements

Risk register

5. In conjunction with updating the Risk Management Strategy, the Fund has also been reviewing its risk register. The risk register identifies the main risks to the operation of the Fund, prioritising risks identified and detailing the actions required to reduce the likelihood or impact of those risks.
6. During 2024, the Fund engaged the support of Zurich, the council's insurance provider, to work alongside officers and complete a full review of the risk register.
7. Officers worked with Zurich to review those items already on the risk register to see whether they were still relevant or they needed amending or removing. Changes may have resulted from controls that are now in place changing the potential likelihood or harm of the risk. The review also assessed whether additional controls were required. New risks were also identified and assessed.
8. The revised draft risk register (**exempt appendix**) separates each of the identified risks into one of four categories:
 - Strategic risks (those risks that cross two or more of the other three categories)
 - Investment risks
 - Pensions administration risks
 - Governance risks (at present there are no specific governance risks as they are being managed as strategic risks)
9. Officers continue to work with Zurich to ensure the final version is comprehensive and risks are identified and addressed consistently across each of the risk categories as well as refining reporting arrangements. The draft risk register that is included as an exempt appendix gives members an opportunity to understand the shape the new risk register will take, while providing assurance that risks are being effectively identified and mitigated. The ongoing work by the Fund's officers and Zurich to finalise the new version of the risk register has not affected its ability to manage risk during its development. The risk register, including in draft form, is a working document and is proving a useful tool for identifying and managing risk. The continuing work is about ensuring consistency and constructive challenge to ensure risk management arrangements are robust.
10. The review of the risk register has also taken account of the Pension Regulator's General Code of Practice, effective from March 2024.
11. The following risks were removed from the risk register and are now managed as business as usual.
 - Fund cash is insufficient to meet current obligations
 - Failure to communicate adequately with all relevant stakeholders
 - Standing data and permanent records are not accurate
 - Inadequate controls to safeguard pension fund assets

12. The following new risks were added:

- Changes in legislation
- Continued high inflation
- Cyber
- Inability to publish the annual report on time

13. Some risks included on the Fund's previous version of the risk register have now been developed to better reflect current challenges and the outcomes the Fund is trying to prevent:

- The original risk relating to the Fund having insufficient assets to meet long-term need was updated to reflect market volatility
- The risk listed as "no performance management framework" was updated to reflect the potential outcome of the risk, rather than describing the risk itself
- The risks of having an inappropriate investment strategy, ineffective governance arrangements, lack of defined objectives and the failure to adhere to relevant legislation were developed to recognise turnover in the membership of committee and board and the wider effect that has in terms of controls, monitoring and challenge

14. Care has been taken to ensure the description of the risk is as clear and accurate as possible. Those items on the previous version of the risk register that could be categorised as business as usual were removed to allow the Fund to concentrate on the most significant, strategic risks.

15. The final version of the risk register will be presented to the Nottinghamshire Pension Fund Committee at its meeting on 13 February 2025. This meeting will also provide the first opportunity for members to try the reporting arrangements, including undertaking its first deep dive, the focus of which will be cyber.

Reporting

16. As part of the process of reviewing the risk register, consideration was given to the most effective ways for members to review the risk register and take an active role in understanding and managing the risks to the Fund.

17. The committee will review the risk register annually. Between annual reviews, the committee will receive reports on the risk register at non-investment manager meetings. This report would highlight any key changes since the last update and provide an opportunity for committee members to take a deep dive into one or two risks. The Local Pensions Board will then have the opportunity to review the same information so that it can continue its overview of the Fund's governance arrangements and the measures in place to reduce and manage risk.

18. At each meeting where a deep dive is undertaken, the committee and board will have an opportunity to select a subject for a deep dive at the next meeting at which the risk register is a scheduled item. To begin this process, the committee will conduct a cyber risk deep dive at its meeting on 13 February 2025. The Local Pensions Board will receive the same documents at its next meeting on 3 April 2025. The deep dive template is attached as **Appendix B**.

19. Where the Nottinghamshire Pension Fund Committee requests a deep dive item, it will be presented at the next meeting of the Local Pensions Board. Similarly, when the Local

Pensions Board selects an item for deep dive, it will be presented at the next meeting of the Nottinghamshire Pension Fund Committee at which risk is scheduled to be considered. This will provide visibility and transparency across both of the Fund's key governance bodies.

Other Options Considered

20. The Board could request alternative arrangements around risk management however it is likely that these would sit outside the current risk management strategy. Any alternative arrangements would need to enhance those in the strategy rather than negate them.

Reasons for Recommendations

21. The Local Pensions Board has a key role to play assisting the Nottinghamshire Pension Fund secure compliance with pension legislation and ensuring the effective and efficient governance and administration of the Fund. The Fund's risk management arrangements are a key part of its governance structure, so bringing regular updates to the Local Pensions Board actively supports the Committee in its role as the governing body for the Fund. The reporting arrangements allow for both the Board and Committee to seek assurance about any risks that are of concern to them, and sharing the outcome of that view with the alternate body provides a check and balance.

Statutory and Policy Implications

22. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance, finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

Financial Implications

23. There are no financial implications arising as a result of this report.

Crime and Disorder Implications

24. Within its risk register, the Fund identifies risk of fraud and pension scams. It also recognises cyber risks that affect the security of the Fund. The controls put in place to mitigate the risk should reduce the opportunity for these kinds of offences to occur.

Data Protection and Information Governance

25. The Pension Fund holds data of scheme employers, active and deferred members, and pensioners. The risk register identifies risks that might affect the Fund's data and identifies controls to mitigate those risks.

Business Support Implications

26. Measures to reduce risk are built into working practices. Decisions about the Fund's risk appetite and the constantly evolving risk landscape will mean that systems, processes and procedures may need revising to ensure controls remain effective.

Smarter Working Implications

27. Managing the Fund's risk provides opportunities for reviewing systems and processes which can help advance the smarter working agenda.

RECOMMENDATION

- 1) That the Local Pensions Board notes the updated Risk Management Strategy including the monitoring and reporting arrangements.

Marjorie Toward

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Constitutional Comments (KK 28/11/24)

28. The proposal in this report is within the remit of the Local Pensions Board.

Financial Comments (SES 03/12/2024)

29. There are no specific financial implications arising directly from this report.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- [Nottinghamshire Pension Fund Committee, 27 April 2023](#)
- [Nottinghamshire Pension Fund Committee, 12 December 2024](#)

Electoral Division(s) and Member(s) Affected

- All