



12 February 2026

Agenda Item: 14

REPORT OF THE SERVICE DIRECTOR, CUSTOMERS, GOVERNANCE AND EMPLOYEES

RISK MANAGEMENT STRATEGY, RISK REGISTER AND RISK DEEP DIVE

Purpose of the Report

1. The report asks committee to review and approve the updated Risk Management Strategy (**Appendix A**), review the Nottinghamshire Pension Fund Risk Register (**exempt appendix, annex A**) and note the risk deep dive on pension scams (**exempt appendix, annex B and C**).

Information

Risk management strategy

2. Risk management is a key element to the Fund's overall framework of internal control and its approach to good governance. To support the management of risk, Nottinghamshire Pension Fund has a Risk Management Strategy. This sets out the Fund's risk appetite and how it will manage the risks it has identified.
3. The Risk Management Strategy requires the Fund to:
 - Identify key risks that would affect the Fund's ability to achieve its 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 Nottinghamshire Pension Fund Committee and the Local Pensions Board
4. Nottinghamshire Pension Fund Committee last reviewed the Fund's Risk Management Strategy at its meeting on 12 December 2024. This was a comprehensive review and the changes made have facilitated a step-change in the Fund's risk management arrangements.
5. A number of minor amendments are proposed to the Risk Management Strategy, together with the addition of a new section on scoring risk. The proposals are based on upcoming

changes arising from the implementation of Fit for the Future and from the Fund's experience of operating under the Risk Management Strategy approved in 2024:

- Minor amendments to accommodate the changing role of the Fund in respect of investment as a result of the implementation of the Fit for the Future programme

A change is proposed to the principles underpinning the Fund's investment activity to accommodate the shifting responsibilities of the Fund regarding investment. An adjustment has also been made to the first paragraph under section 4 'Risk management strategy' for the same reason. Reference to the asset pool has also been added within the 'responsibility' section.

- An amendment to make it clear that the risk register is kept under review on an ongoing basis

In the current Risk Management Strategy reference was made in section 4 to the risk register being reviewed and updated on an annual basis. While formal review of the full risk register by committee is required annually, this wording has been updated to recognise that risks are reviewed and updated on an ongoing basis.

- Scoring risk

A new section on scoring risk has been added. The contents of this section are alluded to within the 'analysing risk' section of the current strategy but set out in other documents. The revised draft captures arrangements for scoring within the Risk Management Strategy to ensure transparency and consistency.

- Deep dives

A change is proposed to the terminology used in the Risk Management Strategy. In the current strategy, in-depth reviews of risk are referred to as spotlight reviews. As the risk management arrangements within the strategy have become embedded, these reviews are now referred to as deep dives. The draft strategy proposed updating the terminology so that it matches the language that is used.

An amendment is proposed following feedback from the Local Pensions Board on the operation of risk management arrangements. While members appreciate the ability to be able to request a risk deep dive, they did not feel, so long as they felt sufficiently assured and there were no risks of significant concern, it was necessary for every meeting to include a deep dive. The revised wording in the draft still provides flexibility for both Nottinghamshire Pension Fund Committee and the Local Pensions Board to request deep dives but makes it clear they have a choice as to whether or not they request one.

- Strategy review

The wording has been updated in the draft so that the wording around the timing of any strategy review is consistent between all Fund policies.

Risk Register

6. The risk register is a key part of the Fund's risk management arrangements as it identifies the main risks to the operation of the Fund, assesses the risks identified and details the actions required to reduce the potential harm and impact of the identified risks.
7. The risk register (**exempt appendix – Annex A**) separates each of the identified risks into one of four themes:
 - Strategic risks (those risks that are most significant or that cross two or more of the other three themes)
 - Investment risks
 - Pensions administration risks
 - Governance risks
8. The risk register is included as part of an exempt appendix because it is not for publication by virtue of paragraphs 3 and 7 of Schedule 12A of the Local Government Act 1972 (as amended). Having regard to the circumstances, on balance the public interest behind disclosing the information does not outweigh the reason for exemption because it contains information relating to the financial or business affairs of an individual or organisation (including the council) and information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.
9. The Risk Management Strategy sets out the methods used by the Fund to identify, assess and score risk.
10. Methods used to identify risk include:
 - Formal risk assessment exercises
 - Monitoring the performance of the Fund
 - Recommendations and findings of auditors and advisers
 - Feedback from stakeholders including the Local Pensions Board and Fund employers
 - Informal meetings of senior officers or other staff involved in the management of the pension fund (with or without the Fund's advisers)
 - Meetings and communication with other organisations, regional and national associations and professional groups
 - Legal determinations including those of the Pensions Ombudsman, the Pensions Regulator and court cases
 - Business planning or strategic workshops
 - Business or service continuity plans developed by the Fund
11. When a risk is identified, an assessment is made of its likelihood and impact. **Table 1** shows the factors considered in scoring the likelihood of a risk occurring. **Table 2** sets out factors considered when assessing the impact of a risk.

Table 1: Likelihood of occurrence within next 12 months

Very low (1)	Not expected to occur (less than 5% chance)
Low (2)	Small chance that it will occur (6% to 20% chance)
Medium (3)	Less likely not to occur than to occur (21% to 50%)
High (4)	More likely to occur than not (51% to 80% chance)
Very high (5)	Expected to occur (81% or more chance)

Table 2: Risk assessment impact tool

Negligible (1)	Minor (2)	Moderate (3)	Major (4)	Extreme (5)
Financial				
No or very minor loss that is unlikely to have an impact on ability to deliver services	Loss of a scale that would have a minor impact on ability to deliver some services	Loss of a scale that would noticeably impact on ability to deliver some services	Loss of a scale that would significantly impact on ability to deliver services	Loss of a scale that would threaten the ability to continue to deliver services
Health and safety				
No injury	Minor injuries sustained	Injury requiring visit to A&E / short-term hospitalisation	Injury requiring longer-term hospitalisation or resulting in permanent damage	Multiple injury / loss of life
Environmental				
No damage to the environment	Localised short-term reversible damage to the environment	Localised long-term reversible damage to the environment or widespread short-term reversible damage to the environment	Localised irreversible damage or widespread long-term reversible damage to the environment	Widespread irreversible damage to the environment
Compliance and regulation				
No breach	Minor breach of internal regulations, not reportable	Breach of internal regulations leading to disciplinary action Breach of external regulations, reportable	Significant breach of external regulations leading to intervention or sanctions	Major breach leading to suspension or discontinuation of business and services
Workforce				
Workforce concerns highlighted to managers	Some levels of low morale and / or small increases in staff sickness and grievance detected	Low staff morale, increase in staff sickness and / or grievance reported and / or short-term low staffing levels	Permanent turnover <10% above the norm and / or long-term low staffing levels	Permanent staff turnover >10% above the norm and / or permanent low staffing levels
Physical assets				

Negligible (1)	Minor (2)	Moderate (3)	Major (4)	Extreme (5)
No damage to asset	Minor damage to asset but still functioning	Moderate damage to key asset rendering it temporarily unusable	Major damage to asset rendering it unusable but repairable	Major damage to key asset rendering it unusable permanently
Reputation				
Complaints from individuals / small number of stakeholders. No media coverage or change to public perception and stakeholder confidence	Local short-term media coverage with little change to public perception and stakeholder confidence	Local long-term media coverage with moderate change to public perception and stakeholder confidence	Significant adverse short-term national media coverage with moderate change to public perception and stakeholder confidence	National long-term media coverage with significant change to public perception and stakeholder confidence
Service / project delivery				
No or very minor short-term disruption on ability to deliver services or project	Very minor disruption / inefficiencies in the ability to deliver services or project	Minor but noticeable disruption in the ability to deliver services or project	Significant disruption in the ability to deliver services	Unable to deliver the service or project

12. The combined score is then used to provide an overall level of risk: low, medium, high or very high. **Table 3** shows how risk scores are turned into the overall level of risk.

Table 3: Risk assessment matrix (likelihood x impact)

Severe (5)	Impact ↑	M	H	VH	VH	VH
Significant (4)		M	H	VH	VH	VH
Moderate (3)		M	M	H	H	H
Minor (2)		L	L	M	M	M
Negligible (1)		L	L	L	L	L
		Likelihood →				
		Very Low (1)	Low (2)	Medium (3)	High (4)	Very High (5)

13. The risk register is a live document, which means that it is regularly reviewed and updated. Since the committee last saw the risk register, the following updates have been made:

- Strat 9 (Inv 8 and Adm 4): Cyber risk – additions to controls in place and updated implementation timeline for additional controls
- Strat 10 – Increase employer contribution rates – Updated direction of travel

- Inv 3: Impact on volatile market – Update made to planned risk management activity as the control is now in place
- Inv 5c: Unable to publish annual report on time and in good order – controls updated
- Inv 5d: Failure to implement pension fund controls, regulations, policies and procedures - Updated risk description and additions to controls that are in place
- Adm 1: Inconsistent or inadequate recording, monitoring, management and reporting of data – additions made to controls in place and to planned risk management activity
- Adm 3: Reporting and assurance of statutory duties into the Local Pensions Board and Nottinghamshire Pension Fund Committee – update to planned risk management activity
- Adm 4: Pension scams – addition to risk implications and controls in place
- Adm 5: Incorrect payment of pensions as a result of processing errors, or inadequate or lacking internal controls – addition to controls in place and planned risk management activity, updated direction of travel
- Adm 6: McCloud rectification – updated risk description, risk causes, risk effect, controls in place, planned risk management activity and direction of travel
- Adm 8: Local Government Reorganisation – new risk

14. During 2024/25, the Fund went through a process to update its risk management arrangements. The first time members had a formal opportunity to review the new risk register was at its meeting on 13 February 2025. Since Nottinghamshire Pension Fund Committee reviews the full risk register annually, this meeting provides the opportunity for that. In addition to this, the committee also has the chance to view the risk register at each of its meetings where investment managers are not invited. At each meeting the committee can also carry out a deep dive into a risk of its choosing. The Local Pensions Board then has the opportunity to review the same information as part of its support and oversight role by reviewing and testing the measures in place to reduce and manage risk.

15. The Local Pensions Board gets the opportunity to review the full risk register at each of its meetings. It also carries out deep dives on risks of its choosing.

Deep Dive – pension scams

16. The Fund's risk management strategy identifies one means through which members of both Nottinghamshire Pension Fund Committee and the Local Pensions Board can take assurance about the way in which risk is being managed, is through deep dives into specific risk.

17. The purpose of a risk deep dive is to:

- Give Nottinghamshire Pension Fund Committee and the Local Pensions Board the chance to undertake a comprehensive review of a strategic risk
- Provide an opportunity to elaborate on information within the risk register to provide assurance, details on controls, implications on the Fund's objectives, and strategies and plans being pursued
- Provide an opportunity for challenge to ensure the risk register is appropriate, the controls are effective and to consider the progress of future actions to further reduce risk
- Assist in identifying further steps that may be required

- Demonstrate that Nottinghamshire Pension Fund Committee and the Local Pensions Board take the management of risk seriously

18. At its meeting on 13 November 2025, Nottinghamshire Pension Fund Committee did not select a topic for deep dive, however it has not yet had the opportunity to consider the Board's last deep dive into Pension Scams. Attached as annexes B and C of the exempt appendix are the overview of pension scams (**exempt appendix – Annex B**) and the deep dive (**exempt appendix – Annex C**) itself.

19. The recommendations in this report ask members to identify a topic for the committee's next deep dive. The committee's choice will also be shared with the Local Pensions Board at the next available opportunity.

Other Options Considered

20. The good governance of the Fund requires it to have both a risk management strategy and risk register. Regular review of the strategy gives Nottinghamshire Pension Fund Committee the opportunity to ensure that risk management arrangements remain fit for purpose.

21. Keeping the risk register under review allows the Fund to identify those risks that need prioritising as well as the risks that have been successfully mitigated and have become business as usual.

22. The committee could request alternative methods through which it considers risk and seeks assurance. If they are not aligned with the risk management strategy, this review provides an opportunity to update these arrangements.

Reason/s for Recommendation/s

23. As the council has delegated the functions of the Administering Authority to the Nottinghamshire Pension Fund Committee, it is ultimate owner of the Fund's risk strategy and the arrangements for managing that risk.

24. This report gives committee the opportunity to review the Fund's arrangements for managing risk and seek assurance that they are effective, putting measures in place to reduce the likelihood of risks occurring, or reducing the impact of those risks if they were to happen.

Statutory and Policy Implications

25. 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

26. While there are no financial implications arising as a direct result of this report, financial implications are a factor that is considered when assessing the impact of a risk.

Legal Implications

27. While there are no direct legal implications arising as a result of this report, legal implications are a factor that is considered when assessing the impact of a risk.

Local Government Reorganisation Implications

28. There are no local government reorganisation implications arising as a result of the report. Local government reorganisation is included in the Fund's risk register and will be kept under review as proposals develop.

Data Protection and Information Governance

29. 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 controls to mitigate those risks.

Human Resources Implications

30. The risk assessment process considers the potential impact of a risk on the workforce. For those risks where there is an impact on the workforce, there may be human resources implications. In these circumstances, where appropriate the Fund would seek to address human resources implications as part of the controls it puts in place to mitigate risk.

31. Business support implications are also considered as part of the risk assessment process. 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.

32. Managing the Fund's risks provides opportunities for reviewing systems and processes that can help advance the smarter working agenda. Effective risk management arrangements can help the Fund roll out new ways of working in a safe way that mitigates potential harm.

Implications for Residents

33. The risk assessment tool in **Table 2** (above) provides an opportunity for the Fund to consider potential implication of Fund risks across several categories. Some of these categories recognise that risks could have an effect on residents; the impact of these would be mitigated by controls.

34. 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 risks should reduce the opportunity for these kinds of offences.

35. When risks are being assessed, one of the factors considered is compliance and regulation. As part of this the public sector equality duty and the safeguarding of adults and children at risk are considered.

Implications for Environmental Sustainability

36. The Fund takes potential environmental impacts into account when it is assessing risk impact.

RECOMMENDATIONS

- 1) That the Nottinghamshire Pension Fund Committee approves the Risk Management Strategy (**Appendix A**)
- 2) That, following review, the Nottinghamshire Pension Fund notes the contents of the Pension Fund's Risk Register (**Exempt Appendix – Annex A**)
- 3) That Nottinghamshire Pension Fund Committee notes the pension scams deep dive (**Exempt Appendix – Annexes B and C**)
- 4) That Nottinghamshire Pension Fund Committee identifies a topic for deep dive at its next meeting when risk management is considered

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Legal Comments (CM 20/01/2026)

37. The report falls within the terms of reference of the Nottinghamshire Local Pension Board. The consideration of the information provided within the report will support members in ensuring that pensions are properly and effectively administered. Maintaining and reviewing a risk register should further support the duties under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 in relation to the Fund's approach to risk.

Financial Comments (TMR 27/01/2026)

38. There are no specific financial implications arising directly as a result of this report. While there are no direct financial implications arising from this report, financial implications are a factor that is considered when assessing the impact of risk.

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 Risk Management Strategy (approved December 2024)
<https://www.nottspf.org.uk/media/nzvi4rt5/nottinghamshirepensionfundriskmanagementstrategy.pdf>

Electoral Division(s) and Member(s) Affected

- All