

# Scheme Advisory Board

## **HYBRID MEETING – 22<sup>nd</sup> May 2023**

### **ITEM 6 – PAPER C**

#### **RISK REGISTER - UPDATE**

1. At the Board's meeting on 10<sup>th</sup> October 2022 it was agreed to produce a risk register that would allow a visual and structured consideration of some of the broader, systemic risks to both the Scheme and the operation of the Board.
2. On 5<sup>th</sup> December the Secretariat presented an initial risk register for the Scheme and Board, which was approved with some suggestions for refinement. It was also agreed to keep the document under regular review. Changes made since the document was last reviewed are in red.
3. The latest iteration of the risk register is attached below, and the Board are invited to consider whether the assessments and mitigations are still appropriate in the light of more recent experience.

**Jeremy Hughes**  
Senior Pensions Secretary  
15<sup>th</sup> May 2023

# Scheme Advisory Board

## LGPS E&W Scheme Advisory Board risk and mitigation register

				CURRENT					TARGET		
Risk Number	Risk Type	Owner	Risk Name / Description	Likelihood	Impact	Risk Score	Impact / Consequences	Controls	Likelihood	Impact	Risk Score
1	Operational	Funds	Problems with administration software development, limited competition in market	3	3	9	Delays in paying benefits, backlogs in processing, enforcement action by regulators	Work with DLUHC to monitor situation	2	3	6
2	Operational	Funds	Personnel and workforce challenges at funds	4	3	12	Poor administration or governance, decline in prestige of scheme	Lobby DLUHC for workforce strategies to be in place. Work with LGA workforce colleagues to make them effective	2	2	4
3	Operational	Funds	Cyber security or cyber attack on pension funds	3	3	9	Funds unable to pay benefits, conduct meetings or agree business.	Promote good cyber strategies for host authorities through LGPS and LGA channels	2	3	6
4	Operational	Secretariat	Failure of LGA hosting arrangements (eg around IT or payroll)	2	3	6	Secretariat unable to fulfill functions or decline in productivity	Engage with LGA corporate and management groups	1	3	3

### Scheme Advisory Board Secretariat

Local Government Association, 18 Smith Square, Westminster, London SW1P 3HZ  
 E [SABSecretariat@local.gov.uk](mailto:SABSecretariat@local.gov.uk) W [www.local.gov.uk](http://www.local.gov.uk)

# Scheme Advisory Board

5	Operational	Secretariat	Key person risk	2	3	6	Lack of expertise in advice and general poor service to the Board	Adequate notice periods in place to ensure timely succession planning and handover.	1	3	3
6	Financial	Secretariat	Secretary of State does not sign off budget.	3	2	6	Unable to collect levy from funds, which could impact on payment of on-going commitments	Early submission of budget proposal to DLUHC to allow any issues to be addressed. Maintain adequate reserves.	2	2	4
7	Financial	Secretariat	Significant number of LGPS funds do not pay levy contribution	3	4	12	Unable to deliver project work and training. Salary costs not covered.	Early billing, chasing of levy and use of political channels to escalate late payments. Reserves allow for some contingency.	2	3	6
8	Financial	Pools	Failure or closure of pool company or platform operating company	3	4	12	Extra costs and distraction from core purpose, risk of trapped assets	Good governance in operation of company. Monitoring and exit planning where unavoidable. Build consideration of this into model and reflect in any statutory guidance.	2	3	6
9	Financial	Funds	Cash flow difficulties for funds	2	4	8	Forced sale of assets causes swift reduction in funding levels	Work with GAD and fund actuaries to monitor situation and implement appropriate s13 recommendations	2	2	4

## Scheme Advisory Board Secretariat

Local Government Association, 18 Smith Square, Westminster, London SW1P 3HZ

E [SABSecretariat@local.gov.uk](mailto:SABSecretariat@local.gov.uk) W [www.local.gov.uk](http://www.local.gov.uk)

# Scheme Advisory Board

10	Financial	Secretariat	Cost control mechanism requires unacceptable changes to benefits	2	4	8	Disputes between employer and member representatives, possible breakdown in relationships at SAB	Effective dialogue and early action to address sustainability issues	2	2	4
11	Financial	Funds	Investment risk for funds	2	3	6	There are risks both in the underlying global financial system (such as climate change) as well as risks in asset allocation and particular asset classes. Reduction in asset values versus assumed growth is a potential consequence.	Work with fund actuaries and GAD to monitor situation and develop effective communications with stakeholders to reassure them	2	2	4
12	Regulatory	Secretariat	Conflict of interest of Board members	3	3	9	Reputational damage. Loss of confidence in integrity of Board members.	All members to declare any conflicts or potential conflicts. Develop conflict of interest policy	1	3	3
13	Administration	Secretariat	Failure of Board members to obtain knowledge and understanding	2	3	6	Members are unable to properly exercise their function or make bad decisions.	Knowledge and understanding policy in place. Board secretariat provide Board members with necessary support and training.	1	3	3
14	Administration	Secretariat	Breach of equality duties, eg around accessibility of events, websites and documents	4	3	12	Reputational damage and possible legal action/fines	Board commissions equality audit and implements recommendations	2	3	6

## Scheme Advisory Board Secretariat

Local Government Association, 18 Smith Square, Westminster, London SW1P 3HZ

E SABSecretariat@local.gov.uk W www.local.gov.uk

# Scheme Advisory Board

15	Administration	Secretariat	Difficulty recruiting and retaining SAB members - in general - to represent specific constituencies - lack of diversity on the Board	3	3	9	Board can't reach quorum or reduced ability to make good decisions. Lack of adequate representation of employer and/or member interests.	Succession planning by ASG	1	3	3
16	Regulatory	Secretariat and Chair	Failure of Ministers to effectively discharge functions	4	3	12	Failure to provide leadership to scheme and implement necessary reforms.	Secretariat to have regular meetings with DLUHC officials and Chair to have regular meetings with the Minister	2	2	4
17	Regulatory	Secretariat	Legislation changed to abolish SAB	1	5	5	SAB has to wind up operations and make staff redundant.	Continue to demonstrate value to the scheme. Carry sufficient in reserves in case of staff redundancy.	1	4	4
18	Regulatory	Secretariat	New legislation: Poorly drafted legislation or drafting errors	3	3	9	Lack of clarity in the regulations impacts the ability to give sound advice, leading to reputational damage and loss of confidence in SAB	Secretariat to work with DLUHC officials to get sight of early legislation drafts. Regular reports from the Technical Group	2	2	4

## Scheme Advisory Board Secretariat

Local Government Association, 18 Smith Square, Westminster, London SW1P 3HZ

E [SABSecretariat@local.gov.uk](mailto:SABSecretariat@local.gov.uk) W [www.local.gov.uk](http://www.local.gov.uk)

# Scheme Advisory Board

## Risk Scoring Matrix

Likelihood of Risk Occurring				
Rare (1)	Unlikely (2)	Possible (3)	Likely (4)	Almost certain (5)
Less than a 5% chance of circumstances arising OR Has happened rarely / never	5% to 20% chance of circumstances arising OR Only likely to happen once every 3 or more years	20% to 40% chance of circumstances arising OR Likely to happen in the next 2 to 3 years OR Risk seldom encountered	40% to 70% chance of circumstances arising OR Likely to happen at some point in the next 1 to 2 years OR Risk occasionally encountered	70% to 100% chance of circumstances arising OR Likely to happen at some point in the next 12 months OR Risk frequently encountered
Impact if Risk Occurs				
Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Extreme (5)
Minimal or no effect on the achievement of Board objectives AND / OR Minimal or no effect on the delivery of Board objectives - Very confident the risk can be improved AND / OR Very achievable objective Very easily influenced Very tolerable / easy to accept - Insignificant reputational damage AND / OR No media attention	Little effect on the achievement of Board objectives AND / OR Little effect of the delivery of Board objectives - Confident the risk can be improved AND / OR Achievable objective Easily influenced Tolerable/ acceptable - Minimal damage to reputation (minimal negative coverage in press or social media)	Partial failure to achieve Board objectives AND / OR Partial failure to deliver Board objectives - Moderately confident that the risk can be improved AND / OR Possible to achieve objective Able to influence Somewhat tolerable - Some reputational damage/ loss of confidence AND / OR Some negative coverage in press/ social media	Significant impact on achieving Board objectives AND / OR Significant impact on delivering Board objectives - Little confidence the risk can be improved AND / OR Unlikely to achieve objective Difficult to influence Out of tolerance but possible to accept - Significant reputational damage/ loss of confidence AND / OR Significant press coverage / significant social media attention	Catastrophic impact on achieving Board objectives AND / OR Catastrophic impact on delivering Board objectives - Almost certain risk cannot be improved AND / OR Unachievable objective Impossible to influence Out of tolerance/ acceptance - Extensive reputational damage (including press coverage)

### Scheme Advisory Board Secretariat

Local Government Association, 18 Smith Square, Westminster, London SW1P 3HZ  
 E SABSecretariat@local.gov.uk W www.local.gov.uk