



Glasgow City Council

Strathclyde Pension Fund Committee

Report by Director of Strathclyde Pension Fund

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Item 11

19th March 2024

Risk Register

Purpose of Report:

To present a summary of the current Strathclyde Pension Fund Risk Register.

Recommendations:

The Committee is asked **to NOTE** the contents of this report.

Ward No(s):

Citywide:

Local member(s) advised: Yes No consulted: Yes No

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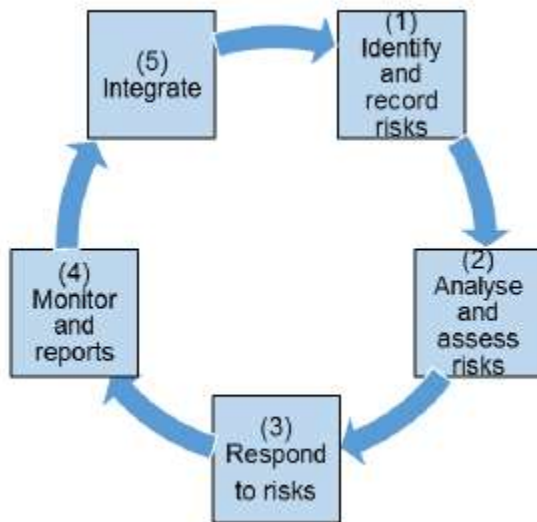
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1 Background

In March 2019, the Committee approved a revised Risk Policy and Strategy Statement. Unlike the Fund's other policy documents, this is not a requirement of the regulations but is considered a matter of best practice. The Statement sets out a common basis for risk management across the Fund's other policies and strategies. The Fund's policy documents are available on its website at: www.spfo.org.uk

2 Risk Management Process

The risk management process is illustrated as follows.



3 Risk Register

As a key part of the Fund's risk strategy, a detailed risk register has been established and is maintained for the Strathclyde Pension Fund (SPF) and the Strathclyde Pension Fund Office (SPFO). The format is consistent with the corporate and departmental registers. The register provides a simple, systematic and consistent basis for recording, analysis, understanding, communication, management, monitoring and reporting of risks.

4 Current Register

4.1 Summary

The risk register as at 29th February 2024 is summarised as follows.

| | | |
|---------------------------------|------------------------------------|-------------------------------|
| Total Risks 36 | Very High Risks 0 | High Risks 4 |
|---------------------------------|------------------------------------|-------------------------------|

Changes since last review (31 October 2023)

| | | | | |
|------------------------|---------------------------|------------------------------|------------------------------|----------------------------|
| New 0 | Closed 0 | Increased 1 | Decreased 3 | Static 32 |
|------------------------|---------------------------|------------------------------|------------------------------|----------------------------|

4.2 Changes

There have been 4 changes since the last review.

Risk 0388 – Inflation Impact – decreased from a residual risk score of **16** (impact 4 x probability 4) to **9** (impact 3 x probability 3) as a result of significant reductions in both current inflation and the medium-term inflation outlook, together with an increased allowance for inflation and a significant funding surplus in the 2023 actuarial valuation.

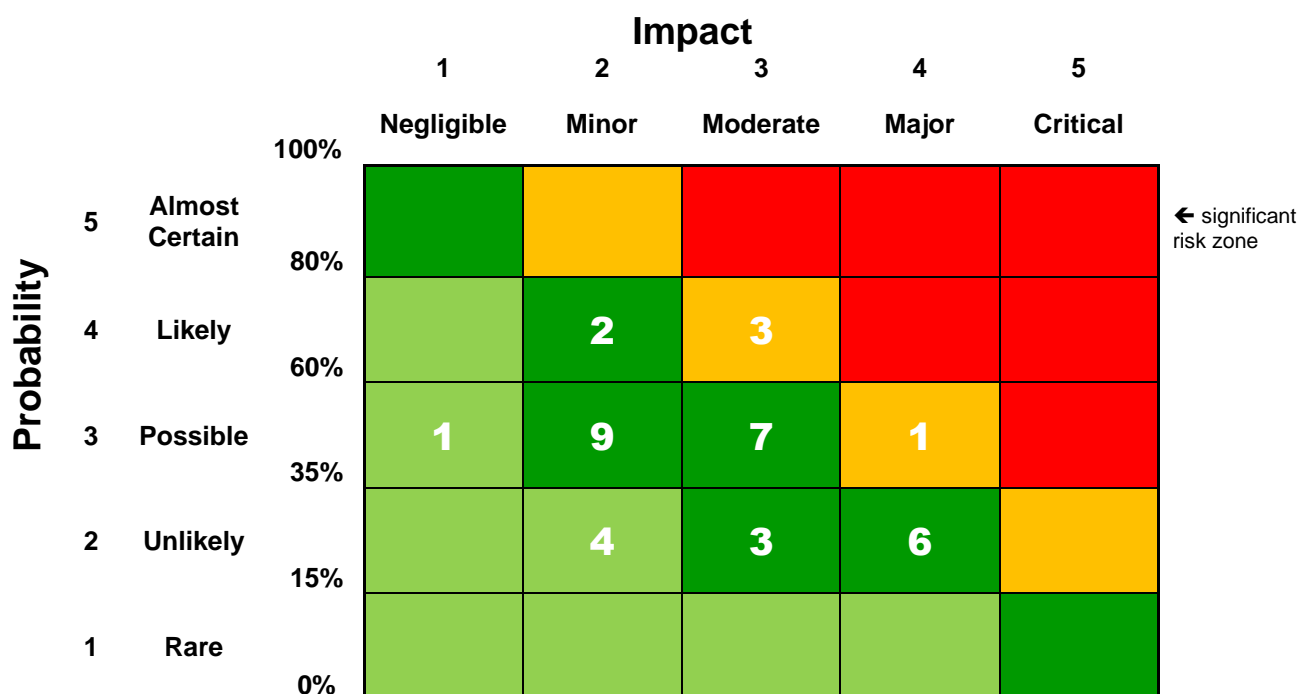
Risk 0391- Succession Planning decreased from a **12** (impact 3 x probability 4) to a **9** (3 x 3) on the basis of recent recruitment experience for both the scheme administration and investment functions.

Risk 0390 – Fund Investment Impact – decreased from a **10** (impact 5 x probability 2) to a **8** (4 x 2) on the basis of the significant funding surplus reported at the 2023 actuarial valuation together with asset liability modelling carried out as part of the accompanying review of investment strategy.

Risk 0393 – Scheme regulation changes – increased from a **10** (impact 2 x probability 5) to a **12** (3 x 4) to reflect the increasing complexity of scheme administration together with changes currently in progress including the McCloud Remedy, the Pensions Dashboard and the Pensions Regulator’s new General Code of Practice.

4.3 Distribution

Current distribution of risks is summarised as follows.



4.4 Risks and Mitigations

The most significant risks are summarised at Appendix A.

4.5 Emerging Risks

Recent updates have highlighted the **National Care Service**, **Succession Planning**, and the **Actuarial Valuation 2023** as areas where emerging issues might lead to changes in the register. These changes have now been

made in respect of the actuarial valuation and succession planning. Ongoing developments in respect of the National Care Service suggest that any impact on pensions is likely to be manageable and within the scope of the risks already captured in the register.

5 Policy and Resource Implications

Resource Implications:

Financial: None

Legal: None

Personnel: None

Procurement: None

Council Strategic Plan: SPF supports all Missions within the Grand Challenge of: ***Enable staff to deliver essential services in a sustainable, innovative and efficient way for our communities.*** The LGPS is one of the key benefits which enables the Council to recruit and retain staff.

Equality and Socio-Economic Impacts:

Does the proposal support the Council's Equality Outcomes 2021-25? Please specify. N/a.
Monitoring report.

What are the potential equality impacts as a result of this report? No significant impact.

Please highlight if the policy/proposal will help address socio-economic disadvantage. N/a.

Climate Impacts:

Does the proposal support any Climate Plan actions? Please specify: N/a.
Monitoring report.

What are the potential climate impacts as a N/a.

result of this proposal?

Will the proposal contribute to Glasgow's net zero carbon target? N/a.

Privacy and Data Protection Impacts:

Are there any potential data protection impacts as a result of this report
Y/N No.

If Yes, please confirm that a Data Protection Impact Assessment (DPIA) has been carried out N/a.

6 Recommendations

The Committee is asked **to NOTE** the contents of this report.

Appendix A

Risks as at 31st October 2023

| Ref | | Title | Description | Mitigation / Control | Residual Impact | Residual Probability | Residual Score | Movement since last Assessment |
|-----|------|---|--|--|-----------------|----------------------|----------------|--------------------------------|
| FIN | 0391 | System Failure | <p>RISK: Issues with pensions administration system and other related systems.</p> <p>CAUSE: Outages, hardware and software failure, cyber attack.</p> <p>EFFECT: Staff downtime, loss of service delivery, data loss, and potential failure to pay pensions.</p> | Access controls, firewalls and other system security measures. Robust system maintenance routines. Internal and external systems support. Back-up procedures. Disaster Recovery Plan. Business continuity plan. | 4 | 3 | 12 | ▬ |
| FIN | 0393 | Scheme regulation change | <p>RISK: Failure to comply with changes to scheme regulations and other pensions legislation.</p> <p>CAUSE: Political or legislative</p> <p>EFFECT: Increasing administrative complexity, communications challenges, potential issues with the Pensions Regulator, potential incorrect information or payments to members, impact on liabilities.</p> | The Administering Authority is alert to scheme developments. Officers participate in various scheme and industry groups (SPLG, IGG, SAB, CIPFA, PLSA, etc.) SPFO is a test site for software upgrades to reflect regulation changes. | 3 | 4 | 12 | ↑ |
| FIN | 0403 | Data Breach | <p>RISK: Theft or loss/misuse of personal data.</p> <p>CAUSE: Cyber attack, human error, process failure.</p> <p>EFFECT: Breach of data protection legislation including GDPR, financial loss and/or penalties, audit criticism, legal challenge, reputational damage.</p> | SPF compliance with GCC GDPR procedures; system security; secure data transfer; data sharing agreements (these are in place with larger employers and many but not all of the smaller ones, leaving some residual risk which is tolerated); staff awareness. | 3 | 4 | 12 | ▬ |
| FIN | 0415 | Breach of statutory reporting guidelines | <p>RISK: Breach of statutory reporting guidelines.</p> <p>CAUSE: Failure to produce compliant accounts by deadline. Failure of audit process.</p> <p>EFFECT: Regulatory criticism, business disruption and reputational damage.</p> | Rigorous planning and project management within SPFO; support from Corporate Finance. | 3 | 4 | 12 | ▬ |