

Report title	Governance and Assurance	
Originating service	Pensions – Governance and Corporate Services	
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Recommendations for noting:

The Pension Board is asked to note:

1. The latest strategic risk-register and areas being closely monitored in the current environment.
2. The compliance monitoring activity undertaken during the quarter.
3. The Fund's Key Performance Indicators and the action taken to support service delivery.
4. The revised Internal Audit work-plan for 2020-21.

1.0 Purpose

- 1.1 To provide the Board with an update on the work of the Fund to deliver a well governed scheme.

2.0 Risk Management

2.1 Operational Risks

In accordance with the Fund's Operational risk management framework, the Fund continues to manage and monitor operational risks that have the potential to impact service delivery through individual service area Risk Maps which feed into the overarching Strategic Risk Register.

This quarter, there has been an increase in the number of operational risks identified, from 54 – 57. New risks identified are as follows;

- Investment Data Reporting and the timely receipt of information which feeds into the Fund's Investment Performance reporting (and includes cost transparency disclosure)
- Investment Information Systems
- Increase in pension scams and claims against the Fund (Operations).

Seven risks have seen an increase in their risk scores this quarter (with some attributable to the environment we are currently operating in), eight risks have had a reduction in score and 39 have not seen any movement. There are now 20 red risks, 36 amber risks and one green risk.

2.2 Strategic Risk Register

Following the identification and assessment of individual operational risks, the Fund's Governance and Assurance Team, working with Senior Managers develop the overarching Strategic Risk Register, which highlights the themes of risk which have the potential to impact the Fund's delivery of its Service Plan objectives.

This quarter, one new Strategic risk has been identified relating to the potential impact on Fund capacity in the event of a second wave of the Covid-19 pandemic (high infection rates among Fund employees) however, the overall impact of Covid on Fund service delivery has been rated down with the Fund's response to the pandemic being managed as outlined in the Covid report.

There are now 24 risks on the Strategic risk register, eight of which are red and 16 are amber. Two risks have seen an increase in score, 21 have remained static and one has reduced.

The two risks which have increased this quarter relate to the increasing workloads seen by the Fund, outlined in the Pension Administration Report and to the Investment Data Reporting carried through from the operational service area risk map.

To illustrate how the operational risks feed into the strategic risk register, a risk theme column has been added to the operational risk register to link the Fund's operational risks to the 'Risk Types' included on the Strategic Risk Register.

The Strategic Risk Register is attached at Appendix A.

2.3 Areas of Concern

Horizon scanning enables the Fund to identify, evaluate and manage changes in the risk environment, preferably before they manifest as a risk or become a threat to the Fund. Additionally, horizon scanning can identify positive areas for the Fund to develop its business and services, taking opportunities where these arise. By implementing mechanisms to horizon scan the Fund can respond to changes or emerging issues in a coordinated manner. Any areas identified as having a potential impact on the Fund's Service Delivery are added to the Fund's "Areas of Concern".

One new area of medium concern has been highlighted this quarter relating to Employer Resilience, noting the as yet unknown impact of Covid-19 on some Fund Employers and in turn the impact on funding and sustainability. The Fund recently issued an Employer Survey to gauge impacts and to help identify support from the Fund to employers during these uncertain times. A follow up survey shall be issued shortly.

11 areas of concern have now been highlighted, three of which are rated as high, with one increasing over the last quarter in relation to the Fund's available resource to respond to the myriad of regulatory change anticipated from current government consultations, including McCloud, £95k cap and the associate changes to LGPS and compensatory regulations. Two areas, Covid-19 and the Good Governance Review have seen a decrease in score.

Over the most recent quarter, the Fund's areas of focus and concern continue to be on the increasing number of consultations and the short time frame for implementation in consideration of concurrent changes in regulation, together with the inconsistency arising from regulatory changes and the uncertainty it creates for the Fund, our employers and members. For our stakeholders, Climate Change continues to grow in interest with the Fund engaging with local campaign groups on our work in this area.

The Areas of Concern are attached at Appendix B.

3.0 Compliance Monitoring

3.1 Finance and Investments

Following the adoption of the investment risk and assurance framework by the Pensions Committee in June, the Fund is working to develop and enhance investment compliance monitoring and will report back on this work in January.

3.2 Governance - Data Protection

This quarter the Fund is reporting one data breach, a reduction of nine from the previous quarter. This quarter the Fund has undertaken a large-scale mailing activity with its employers as part of the annual Employer Health Check to support data cleansing activity and the identification of true active memberships which supports the annual production of annual benefit statements. On this occasion an employer file was sent to an incorrect employer, the recipient employer identifying the error and deleting the data.

3.3 Governance – Freedom of Information (FOI) Requests

This quarter the Fund received three FOI requests, all of which have been responded to in line with statutory timescales. Two of the received requests were exempted for commercial reasons and did not pass the Fund's Public Interest Test in favour of disclosure.

3.4 Governance Subject Access Requests (SARs)

This quarter the Fund has received one Subject Access Request together with four third party requests for member information. The four third party requests for information were received from claims companies seeking information in connection with a member's decision to transfer out their pension to another provider. The increase in potential pension scams is noted on the Fund's strategic risk register and areas of concern noting the increase in these types of requests across the industry and the focus from the Pensions Regulator and Financial Conduct Authority on pension scam awareness.

4.0 Key Performance Indicators

4.1 The Fund's KPIs for this quarter are attached at Appendix C and note some downward trend in operational and workload performance. This is linked to the current environment in which the Fund is operating, outlined in the quarterly administration and investment monitoring reports and within the Fund's Covid Response report.

4.2 Customer complaints have reduced over the quarter to 30 June despite higher than average call volumes. In addition, the Fund's Customer Services team have received a number of compliments for the support offered to Fund members during this time. While no safeguarding issues are reported this quarter, the Customer Services team have worked with local support groups to continue to provide information to members identified as vulnerable.

5.0 Data Management

5.1 The Board will recall that the Fund has previously engaged with the Pensions Regulator on the production of its 2018 and 2019 annual benefit statements with no further action identified following overall improvement in delivery by March 2020.

5.2 The Fund proceeded as normal with its production of ABS, and this year is reporting a deferred production of 89% benefit statements compared to last year's production of 90%

and a production of annual benefit statements of 93% which is comparable to the overall output last year of 95% (accounting for membership movement).

All statements produced were published live on members' pensions portal in advance of the statutory deadline of 31 August 2020.

- 5.3 The Fund continues to develop its data management strategy and data cleansing program working with employers through regular data feedback to enhance data quality and the timely production of information to members to facilitate their planning for retirement.

6.0 Internal Audit Workplan 2020-21

A copy of the revised Internal Audit work plan for 2020 – 2021 is attached at Appendix D. This has been reviewed and discussed with the Fund's Senior Management Team in consideration of the current Covid pandemic and to focus on key areas of review to ensure good governance and assurance in the Fund's practices. The plan will continue to be reviewed throughout the remainder of the year noting potential strains on resources during this time

7.0 Financial implications

- 7.1 Poor management of the Fund's assets can result in detrimental investment returns. Effective monitoring of the management arrangements, facilitated by timely disclosure of information, is required to ensure the Fund is well placed to ensure the delivery of its investment strategy.
- 7.2 Failure by the Fund to meet statutory requirements of effective governance and administration could result in fines imposed by the Pensions Regulator (tPR).

8.0 Legal implications

- 8.1 Failure by the Fund to comply with legislation and/or statutory guidance can result in enforcement action and fine from both tPR and the Courts via judicial review.

9.0 Equalities implications

- 9.1 There are no direct equalities implications.

10.0 Environmental implications

- 10.1 There are no direct environmental implications.

11.0 Human resources implications

- 11.1 There are no direct human resource implications.

12.0 Corporate landlord implications

12.1 There are no direct corporate landlord implications.

13.0 Schedule of Background papers

13.1 None.

14.0 Schedule of Appendices

14.1 Appendix A - Strategic Risk Register April – July.

14.2 Appendix B - Areas being monitored in the current environment.

14.3 Appendix C - Key Performance Indicators – Quarter 1 monitoring.

14.4 Appendix D - Revised Internal Audit Work-Plan.