

Report for: Pensions Committee and Board – 6 September 2023

Item number:

Title: Haringey Pension Fund Risk Register

Report

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Ward(s) affected: N/A

Report for Key/

Non Key Decision: Non Key Decision

1. Describe the issue under consideration

1.1. This paper has been prepared to update the Pensions Committee and Board on the Pension Fund's risk register and provide an opportunity for the Pension Committee and Board to further review the risk score allocation.

2. Cabinet Member Introduction

2.1. Not applicable

3. Recommendations

The Pensions Committee and Board is requested:

3.1. To note and provide any comments on the Pension Fund's risk register. The area of focus for review at this meeting will be Accounting-related risks.

4. Reason for Decision

4.1. Not applicable.

5. Other options considered

5.1. Not applicable.

6. Background information

6.1. The Pensions Regulator (tPR) requires that the Pension Committee and Board (PCB) establish and implement internal controls for the Pension Fund. These internal controls must be sufficient to ensure that the scheme is administered and managed in accordance with the scheme rules and legal requirements.

6.2. The PCB approved a complete version of the risk register in September 2016. Since then, different areas of the risk register have been reviewed at each subsequent meeting. Any changes are agreed upon to ensure that the Pension Fund's strategic risk monitoring remains current.

6.3. The Pension Fund’s risk register covers several areas, including administration, governance, investment, accounting, funding, and legislation risks. Appendix 1 of this paper provides an assessment of the governance-related risks that have been reviewed and updated for the PCB’s feedback during the meeting. Other areas of risk will be presented to the PCB for detailed review in upcoming meetings.

Risk Scoring

6.4. The risk scoring system used by the Pension Fund assesses the potential impact and likelihood of identified risks. Each risk is assigned a score ranging from 1 (low impact, unlikely to occur) to 5 (high impact, very likely to occur). The RAG (Red-Amber-Green) rating system categorises the overall score for each risk.

RAG Rating	Scoring Range
	25 - 16
	15 - 10
	Less than 10

Key identified risks

6.5. The Pension Fund has identified several key risks of particular concern in the short to medium term. These have been summarised in the table below.

Key identified risk	RAG Rating	Update on Risk	Actions taken to manage and mitigate risks
INV13 – High inflation		<p>Inflation remains elevated for longer than initially anticipated, increasing both investment and funding risk for the Pension Fund.</p> <p>The current Consumer Price Index (CPI) inflation rate is 6.8%.</p>	<p>The Pension Fund has several investment mandates in inflation linked strategies which should provide some level of inflation protection.</p> <p>The Pension Fund is conducting a thorough review of its investment strategy following the actuarial valuation exercise. This includes an assessment of the impact of inflation on the Pension Fund’s cashflows and asset specific expected returns.</p>
ACC1 – Delay of publication of Statement of Accounts		<p>The Council continues to experience significant delays to the completion of the external audit of its Statement of Accounts.</p> <p>Although the Council has published the draft accounts for 2021/22 and 2022/23, the external audit for both financial</p>	<p>Since the last update provided to the PCB by the Fund’s external auditors, very little progress has been made in completing the outstanding audits.</p> <p>Officers have been actively engaging with the external auditors to complete this activity as soon as possible. The issue has also been</p>



Key identified risk	RAG Rating	Update on Risk	Actions taken to manage and mitigate risks
		years remains outstanding. This means that the Pension Fund's has not had audited Annual Report for two years, resulting in failure to publish the audited reports in accordance with the statutory requirements.	brought to the attention of the Public Sector Audit Appointments Limited (PSAA), the body responsible for external auditor appointments for local government and police bodies.
INV2 – Increasing risk of a market downturn		<p>The Bank of England's Monetary Policy Committee (MPC) has stated that it will take the necessary actions to return inflation to the 2% target.</p> <p>In June 2023, the MPC voted to increase the bank rate to 5%, reaching the highest levels since the Great Financial Crisis. Due to inflation in the UK proving to be stickier than initially anticipated, the MPC is widely expected to continue increasing interest rates. However, this action is expected to increase the risk of a recession in the UK in 2024.</p>	<p>Officers will continue to monitor the situation as it develops, consulting with investment managers and advisors where necessary, and making the appropriate recommendations to the Pensions Committee and Board.</p> <p>The Pension Fund is currently conducting a thorough review of its investment strategy following the actuarial valuation exercise which will consider the investment risks and opportunities given the prevailing macroeconomic environment.</p>

6.6. Officers will continue to keep the Pension Fund's risk register under constant review.

7. Contribution to Strategic Outcomes

7.1. Not applicable

8. Carbon and Climate Change

8.1. Haringey Pension Fund is committed to being a responsible investor, which involves engaging with and encouraging companies to take positive action on environmental, social and governance (ESG) issues.

8.2. The Pension Fund incorporate ESG risks into its investment selection process. Additional efforts to identify and monitor these risks are currently underway, which will involve establishing responsible investment goals and criteria.

9. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

Finance and Procurement

9.1. There are no direct financial or procurement implications arising from this report.

Head of Legal and Governance [Patrick Uzice, Principal Lawyer]

9.2. The Head of Legal and Governance has been consulted on the content of this report. Members should refer to the matters referred to in paragraph 6.5 of this report and the risks that these poses to the Pension Fund. Actions taken must not only manage but also mitigate the risk.

9.3. Section 70 of the Pensions Act 2004 imposes a reporting requirement on the administering authority where there is reasonable cause to believe that a duty which is relevant to the administration of the scheme and imposed by legislation has not been complied with and the failure is one which is of “material significance” then a report must be made to the Pension Regulator. In particular, there should be an assessment as to whether or not the delay in the publication of Statement of Accounts caused by the auditors is one that is of “material significance”

Equalities

9.4. Not applicable.

10. Use of Appendices

10.1. Appendix 1: Haringey Pension Fund Risk Register Review – Accounting Risks

10.2. Appendix 2: Haringey Pension Fund Summary Risk Register

11. Local Government (Access to Information) Act 1985

11.1. Not applicable.