

Report for: Pensions Committee and Board – 5 March 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: Not applicable

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 Pensions 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 Fund's risk register. The area of focus for review at this meeting will be Administrative-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 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 Fund's strategic risk monitoring remains current.

- 6.3. The 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 administrative-related risks that have been reviewed and updated for the PCB's feedback during the meeting. Other areas of risk management will be presented to the PCB for detailed review in upcoming meetings.

Risk Scoring

- 6.4. The risk scoring system applied by the 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 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, remaining above the Bank of England's target of 2%. This increases both investment and funding risk for the Pension Fund.</p> <p>The current Consumer Price Index (CPI) inflation rate is 4.2%.</p>	<p>The Fund has several investment mandates in inflation linked strategies which are intended to provide some level of inflation protection.</p> <p>The Fund has conducted a thorough review of its investment strategy following the actuarial valuation exercise which considered 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</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 attempting to engage with the external</p>

Key identified risk	RAG Rating	Update on Risk	Actions taken to manage and mitigate risks
		<p>accounts for 2020/21, 2021/22 and 2022/23, the external audit has not yet been completed for 2020/21 or undertaken for the other two years.</p>	<p>auditors to complete this activity as soon as possible. The issue has also been 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.</p> <p>This issue has been identified as a national issue and system partners including DLUHC, the Financial Reporting Council, the National Audit Office and CIPFA have launched a consultation on how to resolve the backlog and recommence timely annual audits.</p>
<p>INV2 – Increasing risk of a market downturn</p>		<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>The current the bank rate is 5.25%, which remains the highest level since the Great Financial Crisis in 2008-2009.</p> <p>Due to inflation in the UK proving to be more persistent than initially anticipated, there remains considerable uncertainty regarding the future path of interest rates. This uncertainty has increased following the confirmation that the UK has entered a technical recession in the last quarter of 2023.</p>	<p>Officers will continue to monitor the situation as it develops, consulting with investment managers and advisors were necessary, and making the appropriate recommendations to the PCB.</p> <p>The Fund's most recent investment strategy review considered the future global economic outlook. The approved investment portfolio is expected to provide broad diversification benefits depending on the prevailing macroeconomic environment.</p>

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

7. Contribution to Strategic Outcomes

7.1. Not applicable

8. Carbon and Climate Change

8.1. The 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 Fund incorporates 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 Assistant Director for 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 – Administrative Risk Register

10.2. Appendix 2: Haringey Pension Fund Summary Risk Register

11. Local Government (Access to Information) Act 1985

11.1. Not applicable.