

Risk No.	Risk Description	Risk appetite	Risk Identification		Inherent Risk Scoring			Existing Risk Controls	Residual Risk Scoring			Further Risk Controls
			Risk Causes	Risk Consequences (Effect)	Likelihood	Impact	Risk Score		Likelihood	Impact	Risk Score	
1	Long term market risk	Minimalist	<ul style="list-style-type: none"> <li>Inappropriate strategic asset allocation</li> <li>Inability to implement strategic asset allocation</li> <li>Poor fund manager performance</li> <li>Fundamental long term events e.g. climate change, systemic risk, inflation, geopolitics</li> <li>Inappropriate products developed by the Border to Coast Pension Partnership</li> <li>Inappropriate (too high) expectations</li> </ul>	<ul style="list-style-type: none"> <li>Asset values do not meet expectations</li> <li>Employer contributions forced to increase above expectations or by a large amount at short notice</li> <li>Investment risk is forced to increase</li> <li>Future benefits cannot be paid by the Fund out of existing assets</li> <li>Positive inflation would increase liabilities and potentially decrease asset values</li> </ul>	4.00	5.00	25.00	<ul style="list-style-type: none"> <li>BAU policy and governance arrangements including the setting of an appropriate investment strategy and funding strategy, including climate risk, the use of professional staff, consultants, and advisers, quarterly reporting to committee, appropriate asset allocation.</li> <li>Only anticipate long-term returns on a relatively prudent basis to reduce risk of under-performing</li> <li>Engagement with Border to Coast - developing funds and monitoring fund performance.</li> <li>Appropriate monitoring of investment behaviour and performance.</li> <li>Inflation is a key feature of investment strategy review and monthly monitoring of the portfolio</li> <li>Regular review of Strategic Asset Allocation</li> </ul>	4.00	4.00	20.00	<ul style="list-style-type: none"> <li>Review of investment strategy in light of climate risk and responsible investment policy and evaluate exposure to climate risk and other Environmental, Social and Governance factors.</li> </ul>
2	Short term market risk	Open	<ul style="list-style-type: none"> <li>Significant reductions in asset values</li> <li>Active management (BCPP)</li> <li>Rapid changes in the economic environment e.g. interest rate rises and inflation</li> <li>Inappropriate asset allocation</li> <li>Poor fund manager performance</li> <li>Global events e.g. pandemics</li> <li>Global political and trade tensions, including regulatory risk</li> <li>Brexit</li> <li>Asset bubbles</li> <li>Poor fund development and procurement</li> <li>Natural fund and market volatility</li> <li>Possibility of market values reducing to the long term average</li> </ul>	<ul style="list-style-type: none"> <li>Asset values do not meet expectations</li> <li>Cashflow requirements cannot be met efficiently or effectively</li> <li>Being unable to meet payment deadlines</li> <li>Being forced to sell assets under distress</li> <li>Being unable to pay benefits to members due to liquidity constraints</li> <li>Introducing volatility to employer contributions or those employers close to exit</li> </ul>	5.00	3.00	18.00	<ul style="list-style-type: none"> <li>Diversification of assets</li> <li>Regular committee and officer monitoring of investment asset allocations and fund manager performance relative to benchmarks and absolute.</li> <li>Cashflow planning to avoid selling assets under distress</li> <li>Maintain sufficient allocation to liquid assets.</li> <li>Long term approach to employer contributions, promoting their stability</li> <li>Rota of fund manager presentations to the investment sub-committee.</li> <li>Regular review of Strategic Asset Allocation.</li> </ul>	5.00	2.00	12.00	
3	Financial mismatch	Averse	<ul style="list-style-type: none"> <li>Fund assets fail to grow in line with the developing cost of meeting liabilities</li> <li>Inadequate contributions asked of employers</li> <li>Employers do not pay contributions required</li> <li>Investment returns lower than expected</li> <li>Inflation risk</li> <li>Inappropriate funding assumptions used</li> <li>Actual membership experience materially different from expectations</li> <li>Incorrect membership or cashflow data used to determine funding strategy</li> <li>Cashflow negative</li> </ul>	<ul style="list-style-type: none"> <li>Funding level deteriorates</li> <li>Higher investment risks being taken</li> <li>Employer contributions increasing</li> <li>Being unable to pay benefits to members out of fund assets</li> </ul>	2.00	5.00	15.00	<ul style="list-style-type: none"> <li>Fund valuation process driving an updated Investment Strategy and Funding Strategy on a periodic basis.</li> <li>Triennial valuations for all employers</li> <li>6-monthly reporting on funding evolution to Committee, using rolled-forward liabilities.</li> <li>Annual monitoring of longevity risk via Club Vita participation.</li> <li>Use of professional advisors to support setting of appropriate funding assumptions.</li> <li>Asset liability modelling focuses on probability of success and level of downside risk</li> <li>Annual cashflow review</li> <li>Ongoing data quality review</li> <li>Understand the assumptions used in any analysis and modelling. Compare these with own views and risk levels</li> </ul>	1.00	4.00	8.00	<ul style="list-style-type: none"> <li>Review of individual employer covenants, including consideration of their specific risk factors</li> </ul>
4	Employer risk	Averse	<ul style="list-style-type: none"> <li>Orphaned employers</li> <li>General economic / financial pressure on employers</li> <li>Deterioration in employer financial positions</li> <li>Deterioration in quality of employer administration function</li> <li>Inadequate support from the Fund to employers</li> <li>Inadequate monitoring of employers by the Fund</li> <li>Admissions agreements inadequate or not agreed</li> <li>Employer contribution rates higher than deemed affordable</li> <li>Some significant changes in employer base (e.g. large staff transfers between employers, and a large number of further academy conversions expected in the next year)</li> </ul>	<ul style="list-style-type: none"> <li>Employers cannot pay the required contributions because contribution requirements increase too quickly or too far</li> <li>Employers cannot pay the required contributions because employer financial viability reduces</li> <li>Increased administration costs</li> <li>Reputational damage to the Fund and to employers</li> <li>Paying employers having to pick up costs of non paying employers</li> <li>Liabilities falling back to underwriting employers</li> <li>Overly cautious investment strategy requiring higher contribution rates</li> </ul>	3.00	3.00	12.00	<ul style="list-style-type: none"> <li>Cessation debt or security/guarantor</li> <li>Spread pro-rata among all employers</li> <li>Employer covenant review</li> <li>Stabilisation mechanism to limit sudden increases in contributions</li> <li>Breaches monitoring</li> <li>Employer training day</li> <li>Fund AGM</li> <li>Admissions and Terminations Policy</li> <li>Cashflow planning to provide cashflow resilience if contributions reduce</li> <li>FSS having appropriate regard to risk and meeting the Funds objectives</li> <li>iConnect</li> <li>Enhance breaches monitoring, regularly reviewed</li> </ul>	3.00	2.00	8.00	<ul style="list-style-type: none"> <li>Additional liaison with known future employers on pension fund matters</li> </ul>
5	Pooling objectives not met	Minimalist	<ul style="list-style-type: none"> <li>Failure to monitor the delivery of pooling benefits.</li> <li>Failure to assess benefits when making pooling decisions.</li> <li>Failure to influence fund design discussions</li> <li>Partner funds not collectively holding the pool to account</li> <li>Pool fails to deliver on objectives</li> <li>Pool does not deliver further alternatives products at pace or implement existing commitments at pace</li> <li>Staff turnover and recruitment challenges</li> <li>Regulatory risk as pooling may evolve</li> </ul>	<ul style="list-style-type: none"> <li>Lack of appropriate products for the Fund to invest in</li> <li>Investment in products that do not meet the objectives of the Fund</li> <li>Persistent and unaddressed fund performance issues</li> </ul>	3.00	3.00	12.00	<ul style="list-style-type: none"> <li>Engagement at Joint Committee, Section 151 meetings, and operational officer groups</li> <li>Exercising shareholder rights and responsibilities</li> <li>Engaging with other partner funds in the pool</li> <li>Pooling decisions made by Investment Sub-Committee</li> <li>Border to Coast attendance at and performance reporting to investment sub committee meetings</li> <li>Independent due diligence of funds offered, and ongoing monitoring of the Pool</li> </ul>	3.00	3.00	12.00	<ul style="list-style-type: none"> <li>Input into the development of new products in particular property, alternatives, and products having regard to climate risk and levelling up (through local investment)</li> <li>Documentation of the Fund's position on product developments</li> </ul>
6	Inability to meet demand for activity	Averse	<ul style="list-style-type: none"> <li>Growth in membership numbers</li> <li>Growth in employer numbers</li> <li>Growth in complexity and difficulty of employer issues</li> <li>New and complex LGPS regulations (e.g. McCloud, £95k exit cap)</li> <li>Increasing value of fund investments</li> <li>Increasing complexity of fund investments</li> <li>Erosion of staff capacity/resilience due to long term remote working</li> <li>Inability to recruit / retain appropriately skilled staff</li> <li>Inability of the Fund officers to keep up with demand (capacity or skills)</li> <li>Persistently increasing customer expectations</li> <li>Unpopular government decisions impacting on LGPS</li> <li>Inability to secure agreement to increasing resources</li> <li>Capacity at contract / service providers</li> </ul>	<ul style="list-style-type: none"> <li>Quality of services reduces</li> <li>Governance failures</li> <li>Key administration performance measures not met</li> <li>Sub-optimal investment decisions made</li> <li>Reputational risk</li> </ul>	4.00	3.00	15.00	<ul style="list-style-type: none"> <li>Medium term forecasting of demand and planning for the capacity and resources required</li> <li>Investing in quality and productivity of staff through training and development</li> <li>Investing in systems development</li> <li>Use of management information to monitor and manage performance</li> <li>Succession planning</li> <li>Procuring appropriate services through contracts</li> <li>KPI and workload monitoring for administration team</li> <li>Staff training</li> <li>Data quality reviewed continuously</li> <li>Maintenance of governance arrangements and actions</li> <li>Responding to Government consultations</li> <li>Independent Pensions Specialist tender being progressed - Post now filled</li> <li>Introduction of medium term resource planning (Admin and investment)</li> <li>Member Self Service (MSS)</li> </ul>	3.00	3.00	12.00	<ul style="list-style-type: none"> <li>Investing in systems development and systems thinking</li> </ul>

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7	Business interruption	Averse	<ul style="list-style-type: none"> <li>• Pandemics</li> <li>• Industrial action</li> <li>• Small specialist teams with single person risks</li> <li>• Significant changes in adviser and consultant personnel</li> <li>• Lack of systems maintenance</li> <li>• Systems failure</li> <li>• Disaster event - fire, flood, etc</li> <li>• Lack of remote working facilities</li> </ul>	<ul style="list-style-type: none"> <li>• Delays in decisions or their implementation</li> <li>• Failure to meet performance targets</li> <li>• Reputational damage</li> <li>• Data quality deterioration</li> <li>• Workload backlogs</li> <li>• Significant restoration costs</li> <li>• Asset allocation drifts off target</li> <li>• Fund investment risks and performance cannot be monitored</li> <li>• Stakeholder dissatisfaction</li> </ul>	3.00	4.00	16.00	<ul style="list-style-type: none"> <li>• Building resilience requirements into service contracts</li> <li>• Digital record keeping</li> <li>• Storing data back-ups off site</li> <li>• Custodian holding investment data</li> <li>• Maintaining close links with advisers, consultants, and external organisations.</li> <li>• Use of IT systems to work remotely</li> <li>• Business continuity and disaster recovery planning session with consultants</li> </ul>	2.00	3.00	9.00	<ul style="list-style-type: none"> <li>• Implementation of Cyber Security policy, including staff training</li> <li>• Completion of documentation of investment practices</li> </ul>
8	Cyber Security	Averse	<ul style="list-style-type: none"> <li>• Systemic cybersecurity events (e.g. taking down financial trading institutions globally)</li> <li>• Local cyber security events (e.g. targeting the Council)</li> <li>• Personal cyber security events (e.g. phishing emails targeting staff)</li> <li>• Inadequate system security, including threats to core systems</li> <li>• Inadequate staff training and staff vigilance</li> </ul>	<ul style="list-style-type: none"> <li>• Loss of data and/or data disruption</li> <li>• Reputational damage</li> <li>• Breaches of the law</li> <li>• Fines</li> <li>• Costs of fixing issues</li> <li>• Business interruption</li> </ul>	4.00	5.00	25.00	<ul style="list-style-type: none"> <li>• Use of scheme administrator systems and system security</li> <li>• Staff training</li> <li>• Bespoke Fund cyber security policy</li> <li>• Implementation of Cyber security policy</li> </ul>	3.00	4.00	16.00	<ul style="list-style-type: none"> <li>• Arrange for systems testing</li> <li>• Arrange for an audit once Member Self Service is live</li> </ul>
9	Climate Change	Cautious	<ul style="list-style-type: none"> <li>• Net global carbon production in excess of Paris Agreement's 2 degree target</li> <li>• Policy responses and actions globally and nationally to combat climate change or to build resilience to it, may not materialise, or may have negative financial or demographic consequences</li> <li>• Fund actions or inactions exacerbating climate change and its impact</li> </ul>	<ul style="list-style-type: none"> <li>• Expected transition to a low-carbon economy</li> <li>• Impact on the value of assets held, for example stranded/obsolete assets, or impact on the productivity and profitability of certain sectors, companies, etc</li> <li>• Impact on future quality of life and life experience (e.g. longevity) of members</li> <li>• Impact on future inflation and value of benefits paid to members</li> </ul>	5.00	5.00	30.00	<ul style="list-style-type: none"> <li>• Fund considers this when allocating assets and appointing Fund Managers</li> <li>• Global, national and industry regulations</li> <li>• Climate Risk Strategy</li> <li>• Responsible Investment Policy</li> <li>• Regular training on Climate Risk and mitigation actions</li> <li>• BCPP sign up to net zero carbon by 2050</li> <li>• Agreed climate risk reporting metrics and an annual review of these</li> </ul>	5.00	4.00	24.00	<ul style="list-style-type: none"> <li>• Review and update climate risk policy</li> <li>• Review 2020 UK Stewardship Code requirements and take steps to become a signatory</li> <li>• Develop Fund actions and response to Task Force on Climate Related Financial Disclosures (TCFD) requirements</li> </ul>
10	Data Quality	Averse	<ul style="list-style-type: none"> <li>• McCloud impact</li> <li>• Persistently increasing customer service expectations</li> <li>• Covid impact on member health and wellbeing - increasing the adverse impact of any problems with pensions</li> <li>• Member benefits paid incorrectly</li> <li>• Employer contributions higher than deemed affordable or thought necessary</li> <li>• Inadequate data quality</li> <li>• Inadequate administration systems and processes</li> <li>• Poor data provided by employers or payroll providers</li> </ul>	<ul style="list-style-type: none"> <li>• Overly cautious investment strategy requiring higher employer contributions</li> <li>• Incorrect benefit payments to scheme members</li> <li>• Complaints and disputes from scheme members</li> <li>• Negative reputational impact</li> </ul>	3.00	3.00	12.00	<ul style="list-style-type: none"> <li>• Administration governance review actions and maintenance of those standards</li> <li>• SLA with Council payroll service</li> <li>• Maintenance of Fund website</li> <li>• Funding Strategy having appropriate regard to risk and the meeting of Fund objectives</li> <li>• Data quality scores and reviews</li> <li>• Staff training</li> <li>• Performance monitoring of employer data quality</li> <li>• Performance monitoring of administration team KPIs</li> <li>• iConnect implemented</li> <li>• Member Self Service</li> <li>• Light review of compliance with Code of Practice 14</li> </ul>	2.00	2.00	6.00	<ul style="list-style-type: none"> <li>• UK Stewardship Code 2020</li> <li>• Regular liaison with Scheme Employers</li> </ul>
11	Fraud	Averse	<ul style="list-style-type: none"> <li>• Increased financial pressure on individuals</li> <li>• The passing of time since any previous targeted review of Fraud risk</li> <li>• Fraud instigated by any Fund stakeholders, e.g. members, officers, fund managers, custodian, and employers.</li> <li>• Scams carried out by fraudsters e.g. masquerading as private financial advisers</li> </ul>	<ul style="list-style-type: none"> <li>• Members lose benefits to fraudsters</li> <li>• Reputational risk</li> <li>• Time spent unpicking the fraud</li> <li>• Fraudulent members gain benefits they are not entitled to</li> <li>• Fund incurs costs to recover losses</li> <li>• Investment assets lost to fraud or irregularity</li> <li>• Investment losses not reported if covered up</li> </ul>	3.00	3.00	12.00	<ul style="list-style-type: none"> <li>• Application of Administering Authority code of conduct to fund officers, fraud strategy, and whistleblowing policy</li> <li>• Application of division of duties and signatory processes for financial transactions and administration</li> <li>• Periodic independent internal audit reviews of administration and investment activity and controls</li> <li>• Annual external audit reviews</li> <li>• Financial industry regulatory regimes governing fund manager conduct and processes</li> <li>• Fraud, Bribery and Corruption Framework</li> <li>• Employer's fines</li> <li>• Fraud risk review in 2021/22, and ongoing review of fraud management</li> </ul>	2.00	3.00	9.00	<ul style="list-style-type: none"> <li>• Provide ongoing training to staff</li> </ul>
12	Governance Failure	Averse	<ul style="list-style-type: none"> <li>• Lack of capacity to service governance requirements</li> <li>• Lack of training</li> <li>• Lack of continuity in staffing, advisers, or committee / board members</li> <li>• Inadequate checking/review of standards compared to requirements and best practice</li> <li>• Complacency in light of recent governance improvements</li> <li>• Out of date policies and contracts</li> <li>• Local government elections impact on committee continuity</li> <li>• Uncertainty around overall governance structure and responsibility for decision making and actions</li> <li>• Unpopular government decisions impacting on LGPS</li> <li>• Inability to sign off pension fund accounts</li> <li>• Lack of attendance at meetings</li> </ul>	<ul style="list-style-type: none"> <li>• Adverse impact on Fund's reputation</li> <li>• Exposure to unplanned risks or poor administration and investment performance</li> <li>• Breaches of the law</li> <li>• Poor decisions</li> <li>• Decisions that are not appropriately authorised</li> <li>• Customer dissatisfaction</li> </ul>	3.00	4.00	16.00	<ul style="list-style-type: none"> <li>• Training plans for committees, Board, and staff</li> <li>• Quarterly committee and Board meeting cycles</li> <li>• Training needs analysis</li> <li>• All training provision to be made available to all committee and Board members</li> <li>• Management of a Contracts register</li> <li>• Management of a Fund policy schedule</li> <li>• Quarterly risk monitoring at committee and board</li> <li>• Quarterly monitoring of Business Plan delivery at board</li> <li>• Use of digital technology - remote working and remote meetings</li> <li>• Responding to government consultations</li> <li>• Light review of compliance with Code of Practice 14</li> </ul>	2.00	3.00	9.00	<ul style="list-style-type: none"> <li>• Signing up to UK Stewardship Code 2020</li> <li>• Use of National Knowledge Assessment to inform training plan</li> <li>• Review of committee arrangements and Terms of Reference</li> <li>• Review account reporting timescales</li> </ul>