

# Warwickshire Fire and Rescue Local Pension Board of the Firefighters' Pension Scheme

14 February 2022

## Warwickshire Fire and Rescue Local Pension Board, Risk Management

### Recommendation(s)

1. That the Warwickshire Fire and Rescue Local Pension Board note and comment on the report and the attached risk register (Appendix 2).

### 1. Executive Summary

- 1.1 The Pension Service maintains a risk register in order to manage the risks facing the administration of the Fire Pension Service.
- 1.2 Risk monitoring is reported quarterly to the Warwickshire Fire and Rescue Local Pension Board (the Board) to improve the governance of the service.
- 1.3 A number of risks have been identified, including the impact of Covid presenting challenges to business operations and business continuity, and challenging governmental developments, for example in respect of the Sergeant / McCloud remedy, together with the review of the administration service with the move to an alternative provider.
- 1.4 When monitoring risk, the service will continue to look out for emerging and changing risks.

### 2. Risk Appetite

- 2.1 The table below sets out a risk appetite classification that has been adopted based upon a widely used form of assessment.

Risk Appetite	Risk Appetite Description
Averse	Avoidance of risk and uncertainty is a key organisational objective.
Minimalist	Uncertainty is to be avoided unless essential; only prepared to accept the possibility of very limited financial loss.

Cautious	Tolerance for risk taking is limited to events where there is little chance of significant downside impact.
Open	Tolerance for decisions with potential for significant risk, but there with appropriate steps to minimise exposure.
Hungry	Eager to pursue options offering potential higher rewards despite greater inherent risk.

2.2 The table below sets out a risk appetite at a high level. This is intended to illustrate risk appetite and promote discussion; it is not a definitive or an approved statement of risk appetite for the service.

Risk Category	Description	Risk Appetite
Administration – member services	Risk of failure to pay benefits or failure to maintain complete and correct data.	Averse
Administration – employer services	Risk of failure to collect appropriate data or contributions from the employer.	Averse

2.3 The service will only choose to take risks that are expected to be appropriately rewarded, and to mitigate or avoid risks where this is not the case.

2.4 This sets out certain categories within which to consider risk appetite (risk appetite should be categorised in relation to appetite for risk, not in relation to risk experience), therefore, the headings should not necessarily align with the risk register.

2.5 The service is responsible for paying pensions accurately and on time when they are due and correctly following legislation and regulations. It is a service where there are no necessary opportunities to be gained from risk taking, hence a low appetite for risk is recommended above.

### 3. Risk Register

3.1 Risk is assessed on a five point scale across likelihood and impact, with impact weighted as follows:

$$\text{Total Risk} = (\text{Likelihood} \times \text{Impact}) + \text{Impact}$$

3.2 Risks with a high impact / low probability should be prioritised because over a long time span low probability events are more likely to occur eventually.

3.3 The most important issue is that the risk register broadly captures the most significant strategic risks; it is less important that each score is completely accurate. There is an element of subjectivity to scoring because risk is, by its nature, to do with uncertainty. Likelihood definitions are set out below.

Score	Description	Likelihood of
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			<b>occurrence</b>
1	Highly likely	The event may occur in only rare circumstances (remote chance)	1 in 8 + years
2	Unlikely	The event may occur in certain circumstances	1 in 4 – 7 years
3	Possible	The event may occur (realistic chance)	1 in 2 – 3 years
4	Probable	The event will probably occur (significant chance)	1 in 1 – 2 years
5	Very likely	The event is expected to occur regularly	Up to 1 in every year

3.4 Appendix 1 sets out definitions for impact scores, including examples. These result in a scoring matrix as follows, which illustrates the increased emphasis on impact compared to likelihood:

Risk Identification		Inherent Risk Scoring			Residual Risk Scoring		
Risk No.	Risk Description	Likelihood	Impact	Risk Score	Likelihood	Impact	Risk Score
1	Covid Pandemic	5.00	5.00	30.00	3.00	2.00	12.00
2.	Inability to meet demand for activity	5.00	3.00	18.00	4.00	3.00	15.00
3	Business interruption	3.00	4.00	16.00	2.00	3.00	9.00
4	Cyber Security	4.00	5.00	25.00	3.00	4.00	16.00
5	Data quality	3.00	3.00	12.00	2.00	2.00	6.00
6	Fraud	4.00	3.00	15.00	3.00	3.00	12.00
7	Governance failure	3.00	4.00	16.00	2.00	3.00	9.00

3.5 Appendix 2 sets out the risk register.

3.6 Although the risk register is intended to be strategic, it still contains a lot of information. It is important for the service to ensure a focus on the most important risks, and the Board are invited to comment on key risks which should receive particular attention over the next year.

#### 4. Outsourcing Arrangements for Risk Management

- 4.1 Work is underway to clarify where responsibility for each risk rests under the new outsourced pensions administration arrangements. Officers have reviewed the risk register in order to allocate responsibility, and this will be discussed and finalised with WYPF ahead of the transfer of the service.

#### 5. Financial Implications

None

#### 6. Environmental Implications

None

#### 7. Supporting Information

None

#### 8. Timescales associated with the decision and next steps

- 7.1 As part of the transition to the new administrator officers are continuing to review the Risk Register, and are working to assign risks to the respective parties to ensure they continue to be managed effectively.

#### Appendices

1. Appendix 1 Impact scores
2. Appendix 2 Risk Register

#### Background Papers

None.

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The report was circulated to the following members prior to publication:

Local Member(s): n/a

Other members: n/a

