

FIRE PENSIONS OUTSOURCING - RISK SHARING PROPOSAL

Aug-22

| Risk Identification | | | | | | Inherent Risk Scoring | | | Existing Risk Controls | | Residual Risk Scoring | | | Further Risk Controls | |
|---------------------|---|-----------------------------|---------------|---|--|-----------------------|--------|------------|--|--|-----------------------|--------|------------|--|----------------|
| Risk No. | Risk Description | Outsourcing Risk Allocation | Risk appetite | Risk Causes | Risk Consequences (Effect) | Likelihood | Impact | Risk Score | Control | Responsibility | Likelihood | Impact | Risk Score | Control | Responsibility |
| 1 | Covid- Pandemic (Administration and People Related) | Shared | Averse | Covid-19 pandemic (financial pressure on individuals and institutions, and more transactions being made online) | Members do not receive a high quality service | 5 | 5 | 30 | Office presence for processes that require it (e.g. physical post) | Both | 3 | 3 | 12 | Use of extraordinary committee or board meetings where necessary | WCC |
| | | | | Further restrictive lockdowns | Business interruption | | | | IT systems supporting remote and flexible working | Provider (Pensions system) WCC (Other feeder systems) | | | | Continue to develop flexible and remote working practices | WCC |
| | | | | Staffing capacity impacted by both short and long term health implications of infection | High costs in order to maintain service resilience | | | | Flexible working policies for staff | WCC | | | | Review electronic signatory processes | Both |
| | | | | | Staff health, wellbeing and productivity | | | | Health and safety protocols for staff | Both | | | | | |
| | | | | | Impairment of the financial situation of employers | | | | Policies that account for the scenario experienced | Both (e.g. business continuity) | | | | | |
| | | | | | Inability to make quick decisions in an emergency | | | | Business continuity arrangements in place | Both | | | | | |
| | | | | | Non-payment of pensions | | | | Ensure provider has satisfactory business continuity arrangements in place | WCC | | | | | |
| 2 | Inability to meet demand for activity | Provider | Averse | Taking on too many new customers / too quickly | Quality of services reduces | 4 | 3 | 18 | Medium term forecasting of demand and planning for the capacity and resources required | Provider | 3 | 3 | 12 | | |
| | | | | Growth in complexity | Governance failures | | | | Investing in quality and productivity of staff through training and development | Provider | | | | | |
| | | | | New and complex regulations (e.g. Sargeant (Age discrimination, Matthews retained Modified cases) | Key administration performance measures not met | | | | Investing in systems development | Provider | | | | | |
| | | | | Erosion of staff capacity/resilience due to long term remote working | | | | | Use of management information to monitor and manage performance | Provider | | | | | |

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| | | | | Inability to recruit / retain appropriately skilled staff | | | | Succession planning arrangements are in place | Provider | | | | | | |
| | | | | Inability of the officers to keep up with demand (capacity or skills) | | | | Data quality reviewed at least annually | Provider | | | | | | |
| | | | | Persistently increasing customer expectations | | | | | | | | | | | |
| | | | | Unpopular government decisions impacting on Fire Pension Schemes | | | | | | | | | | | |
| 3 | Lack of capacity or competence to act as intelligent client and effective Scheme Manager | WCC | Averse | Outsourcing of delivery | <ul style="list-style-type: none"> Quality of services reduces | 5 | 3 | 15 | Medium term forecasting of demand and planning for the capacity and resources required | provider | 2 | 3 | 9 | Collaboration with other Fire Authorities using same provider for continuous improvement | WCC |
| | | | | Growth in complexity | <ul style="list-style-type: none"> Governance failures | | | | Investing in quality and productivity of staff through training and development | provider | | | | | |
| | | | | New and complex regulations (e.g. Sargeant (Age discrimination, Miller retained Modified cases) | <ul style="list-style-type: none"> Key administration performance measures not met | | | | Use of management information to monitor and manage performance | both | | | | | |
| | | | | Erosion of staff capacity/resilience due to long term remote working | | | | | Succession planning | both | | | | | |
| | | | | Inability to recruit / retain appropriately skilled staff | | | | | Data quality reviewed at least annually | WCC | | | | | |
| | | | | Inability of the officers to keep up with demand (capacity or skills) | | | | | Maintain strong working relations with provider | WCC | | | | | |
| | | | | Persistently increasing customer expectations | | | | | | | | | | | |
| | | | | Unpopular government decisions impacting on Fire Pension Schemes | | | | | | | | | | | |
| 4 | Business interruption | Both | Averse | Covid-19 Pandemic (financial pressure on individuals and institutions, and more transactions being made online) | Delays in decisions or their implementation | 3 | 4 | 16 | Building resilience requirements into service contracts | Both | 2 | 3 | 9 | Implementation of Cyber Security policy | Both |
| | | | | Industrial action | Failure to meet performance targets | | | | Digital record keeping | Both | | | | Review and update disaster recovery plan | Both |
| | | | | Small specialist teams with single person risks | Reputational damage | | | | Storing data back ups off site | Both | | | | | |
| | | | | Significant changes in adviser and consultant personnel | Data quality deterioration | | | | Maintaining close links with advisers, consultants, and external organisations | Both | | | | | |
| | | | | Further high impact Covid events (e.g. infection waves, lockdowns) | Workload backlogs | | | | Use of IT systems to work remotely | Both | | | | | |

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| | | | | Lack of systems maintenance | Significant restoration costs | | | | | | | | | | |
| | | | | Systems failure | | | | | | | | | | | |
| | | | | Covid impact on staff | | | | | | | | | | | |
| | | | | Disaster event - fire, flood, etc | | | | | | | | | | | |
| | | | | Lack of remote working facilities | | | | | | | | | | | |
| 5 | Cyber security | Both | Averse | Systemic cybersecurity events (e.g. taking down financial trading institutions globally) | Loss of data and/or data disruption | 4 | 5 | 25 | Use of scheme administrator systems and system security | Both | 3 | 4 | 16 | Implementation of Cyber security policy | Both |
| | | | | Local cyber security events (e.g. targeting the Council) | Reputational damage | | | | Staff training | Both | | | | | |
| | | | | Personal cyber security events (e.g. phishing emails targeting staff) | Breaches of the law | | | | Bespoke Scheme cyber security policy | Both | | | | | |
| | | | | Inadequate system security | Fines | | | | | | | | | | |
| | | | | Inadequate staff training and staff vigilance | Costs of fixing issues | | | | | | | | | | |
| | | | | | Business interruption | | | | | | | | | | |
| 5 | Data Quality | Both (WCC as data controller and provider as data processor) | Averse | McCloud/Sargeant impact | Incorrect benefit payments to scheme members | 4 | 4 | 16 | Review data quality and agree action plan to address issues highlighted | Both | 3 | 2 | 9 | Audit of data quality management arrangements | WCC |
| | | | | Persistently increasing customer service expectations | Complaints and disputes from scheme members | | | | SLA with Council payroll service | WCC | | | | | |
| | | | | Covid impact on member health and wellbeing - increasing the adverse impact of any problems with pensions | Negative reputational impact | | | | Maintenance of Scheme website and sign posting to the new LGA Fire Pensioner scheme members website | Both | | | | | |
| | | | | Member benefits paid incorrectly | Breaches resulting in fines from tPR | | | | Staff training | Both | | | | | |
| | | | | Inadequate administration systems and processes | | | | | Performance monitoring of employer data quality | Both | | | | | |
| | | | | Poor data provided by employer | | | | | Performance monitoring of administration team KPIs | Both | | | | | |
| | | | | Data provided by previous administrator in consistent, with data on bith administration and pensioner payroll not matching | over/underpayment of pensions loss of reputation with stakeholders | | | | reconciliation of data to be done on a regular basis to ensure consistency | WY | | | | data matching exercise underway between admin and pensioner payroll to look at data transferred as at March 2022 | WCC/WY |
| | | | | Inadequate payroll services | | | | | | | | | | | |

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| 6 | Fraud or corruption | Both | Averse | Poor application of controls by the Employer or Provider | Members lose benefits to fraudsters | 4 | 3 | 15 | Application of Authority code of conduct for officers, fraud strategy, and whistleblowing policy | Both | 3 | 3 | 12 | Fraud risk review in 2022/23 | WCC |
| | | | | Increased financial pressure on individuals due to Covid-19 geo political activity and its impact on the economy and jobs | Reputational risk | | | | Application of division of duties and signatory processes for financial transactions and administration | Both | | | | | |
| | | | | The passing of time since any previous targeted review of Fraud and corruption risk | Time spent unpicking the fraud | | | | Periodic independent internal audit reviews of administration controls and activity | Both | | | | | |
| | | | | Fraud or corruption instigated by any Fund stakeholders | Fraudulent members gain benefits they are not entitled to | | | | Annual external audit reviews | Both | | | | | |
| | | | | | Breaches resulting in fines from tPR | | | | | | | | | | |
| 7 | Governance Failure | Both | Averse | Lack of capacity to service governance requirements | Adverse impact on service reputation | 3 | 4 | 16 | Training needs analysis and plans for Committees and Board | WCC | 2 | 3 | 9 | | |
| | | | | Lack of training | Exposure to unplanned risks or poor administration | | | | Training needs analysis and plans for staff | Both | | | | | |
| | | | | Lack of continuity in staffing, advisers, or committee / board members | Breaches of the law | | | | Quarterly committee and Board meeting cycles | WCC | | | | | |
| | | | | Inadequate checking/review of standards compared to requirements and best practice | Poor decisions | | | | Monthly meetings between Scheme Administrator and provider (moving to quarterly after 6 months) | Both | | | | | |
| | | | | Complacency in light of recent governance improvements | Decisions that are not appropriately authorised | | | | All training provision to be made available to all committee and Board members | WCC | | | | | |
| | | | | Out of date policies and contracts | Customer dissatisfaction | | | | Management of a policy schedule | Both | | | | | |
| | | | | Local government elections impact on committee continuity | Incorrect benefit payments to scheme members | | | | Use of digital technology - remote working and remote meetings | Both | | | | | |
| | | | | Covid-19 Pandemic - impact on officer, adviser, and committee/board personnel health and availability | | | | | Responding to government consultations | Both | | | | | |
| Uncertainty around overall governance structure and responsibility for decision making and actions | | | | | | | | | | | | | | | |
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| | | | | | | | | | | | | | | Audit of governance arrangements | WCC |
| | | | | | | | | | | | | | | Look at best practice to create training plan | Both |

