

# Cumbria Fire Local Pension Board Risk Register at May 2022

# Appendix 1

7	RISKS	Dec 2021	May 2022	Target	DOT	CORPORATE RISK PROFILE (Risk Score = Likelihood x Impact)																																																
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3	1.3. Scheme member communication	4	4	4	→																																																	
4	1.4. Data quality	6	6	3	→																																																	
5	1.5. Payment of contributions	8	8	8	→																																																	
6	1.6 Sargeant Judgement	15	15	9	→																																																	
7	1.7 O'Brien Judgement (also known as Matthews)	12	12	9	→																																																	
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9	2.2. Regulatory changes	8	8	8	→																																																	
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11	2.4 Loss of key personnel	4	4	4	→																																																	
12	2.5. Conflicts of Interest	4	4	4	→																																																	
13	2.6 Operational disaster	4	4	4	→																																																	
14	2.7 Fire Governance Transition	n/a	16	6	new																																																	

**CUMBRIA FIREFIGHTERS' PENSION BOARD RISK REGISTER (May 2022)**

1. Scheme Administration

Risk Ref	Risk Owner	Risk Title & Description	Current Risk Score DOT	Target Score	Current Controls & Measures in Place	Planned Improvements to controls and measures to manage the risk
			(Impact x Likelihood)			
1.1	Scheme Manager & LPPA	<p><b>Information Security Arrangements</b></p> <p>There is a risk that the Council will experience a significant information security incident.</p> <p>Caused by a concerted cyber attack on Council or LPPA systems, inadequate information security arrangements, lack of training, awareness or human error.</p> <p>Resulting in partial or total interruption to service delivery to scheme members, the scheme employer, Scheme Officers or LPPA.</p> <p>Disclosure of personal data or a data breach leading to financial penalties, liability claims and reputational damage</p>	<p>15 (5x3)</p> <p>DOT</p> <p>➔</p>	<p>15 (5x3)</p> <p>Previously 10 (5x2)</p>	<p><b>Cumbria County Council (CCC) – Corporate Risk</b></p> <ul style="list-style-type: none"> <li>The County Council maintains a detailed corporate risk register including the risk associated with Information Security Arrangements.</li> <li>The Scheme adheres to the controls and measures in place detailed within the Corporate Risk Register.</li> <li>All staff within the team have completed the GDPR &amp; Information Security e-learning training which is renewed on an annual basis. All Members have received training on information security.</li> <li>The Scheme Manager is compliant with the requirements of GDPR.</li> <li>Any data breaches by officers within the scheme are reported through the Council's data breach processes and also recorded on the Scheme's breach register.</li> <li>In the event of systems being interrupted, the Council will implement the relevant Business Continuity Plan to ensure service continuity in a timely manner.</li> <li>Information security controls within the Council have strengthened and have been independently assessed in the following three areas:                             <ul style="list-style-type: none"> <li>GDPR: 'Substantial Assurance' Internal Audit opinion June 2019.</li> <li>Cyber Security: 'Reasonable Assurance' Internal Audit opinion June 2019.</li> <li>PSN: Annual Independent PSN Accreditation</li> </ul> </li> </ul>	<p><b>Cumbria County Council</b></p> <ul style="list-style-type: none"> <li>All staff elected Members and Pension Board members are required to complete on-line data security training with a new module launched in 2021/22.</li> </ul> <p><b>Local Pension Partnership (LPP):</b></p> <ul style="list-style-type: none"> <li>Activities are underway to refresh the Group's Cyber Essentials certification together with obtaining Cyber Essentials Plus certification.</li> <li>LPP's 'Secure-Score' is currently delivering improvements, primarily delivered through:                             <ul style="list-style-type: none"> <li>Increased monitoring alerts and notifications of cyber security events, through use of Microsoft Identity monitoring &amp; Cloud Application Security tooling.</li> <li>Introduction of control policies which manage detection of unsanctioned applications.</li> <li>Reviews of administrative privileges &amp; compliance to Multi Factor Authentication (MFA) Policies.</li> </ul> </li> </ul>

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					<p>confirmed July 2019.</p> <ul style="list-style-type: none"> <li>The annual 2021 ICT health check has been successfully completed during July 2021. The report will be submitted in support of the PSN accreditation process during January 2022.</li> <li>All National Cyber Security Centre (NCSC) configuration guidance is adhered to where appropriate and assured as part of the PSN process.</li> <li>All NCSC cyber monitoring tools are implemented.</li> <li>in the event of a Cyber Attack Council will notify the appropriate government agencies (Action Fraud and National Cyber Security Centre (NCSC)) and their guidance will be adhered to. The Scheme would never make any payment to a third-party claiming responsibility for breaching the Scheme's security arrangements.</li> </ul> <p><b><u>Local Pension Partnership Administration (LPPA):</u></b></p> <ul style="list-style-type: none"> <li>Cyber security risks and controls in place</li> <li>Services are backed up to tape every night and held off site. Disaster Recovery Plan is tested twice yearly.</li> <li>Networks protected by fire walls to prevent unauthorised access. Intrusion Prevention Systems in place and penetration tests completed annually.</li> </ul>	
1.2	Scheme Manager & LPPA	<p><b>Pension Administration Processes</b></p> <p>There is a risk of delays in scheme members entering</p>	<p><b>9</b> <b>(3x3)</b></p>	<p><b>6</b> <b>(3x2)</b></p>	Formal agreement in place with Lancashire County Council for the discharge of pension administration functions through the Local Pensions Partnership Administration (LPPA). This confirms Lancashire will	Officers continue to closely review LPPA performance specifically with regard to the experience received by scheme members.

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		<p>into pension or receiving other services from the scheme in an untimely manner.</p> <p>Caused by organisational restructure within LPPA &amp; personnel changes and the need for retraining.</p> <p>Resulting in customer dissatisfaction with the service.</p>	<p><b>DOT</b></p> <p>➔</p>		<p>exercise the same skill, care and diligence they would apply to the discharge of their own functions in relation to the administration of pensions.</p> <p>Formal quarterly meetings of LPPA and Cumbria pensions officers to review and consider standards of service provision against LPPA internal KPIs. Regular (at least quarterly meeting) of operational group and ongoing dialogue with officers at LPPA throughout the year. LPPA host an annual Client Forum providing officers the opportunity to engage with representatives from other Schemes with LPPA as their pensions' administrator.</p> <p>Internal audit assurance is provided annually by Lancashire County Council that internal controls with LPPA over the operation and administration of Cumbria Fire Service Pension Scheme data are adequate and effective.</p> <p>LPPA also maintain their own Internal Audit programme and advise Officers of the findings of these reports.</p>	<p>Specific issues relating to COVID-19 are addressed in risk 1.7 – “COVID-19 – Impact on Pensions’ Administration”.</p> <p>The most recent Performance report showed performance levels of 96% against a 95% target, for the quarter.</p>
1.3	Scheme Manager & LPPA	<p><b>Scheme Member Communication</b></p> <p>There is a risk that scheme members will not receive appropriate or effectively communications from the scheme manager.</p> <p>Caused by not having an effective Communication</p>	<p>4 (2x2)</p> <p><b>DOT</b></p> <p>➔</p>	<p>4 (2x2)</p>	<p>LPPA provide the Scheme’s communication with scheme members.</p> <p>The ‘My Pension On-Line’ (MPO) tool is a key mechanism through which LPPA communicates with members and work is ongoing to increase the percentage of members signing up to this.</p> <p>LPPA have confirmed that 100% of ABS’s were issued</p>	<p>MPO is promoted by the Scheme Manager and LPPA to attempt to increase take up of this self-serve pensions tool.</p>

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		<p>Strategy in place or engagement strategy or inaccurate / incomplete data.</p> <p>Resulting in customer dissatisfaction and non-compliance with the Pension Regulator's Code of Practice 14.</p>			in advance of the statutory deadline of 31st August 2021.	
1.4	Scheme Manager	<p><b>Data Quality</b></p> <p>There is a risk that member data is incomplete or inaccurate.</p> <p>This could be caused by poor internal controls within the scheme and the employer with information not being passed to LPPA in a timely manner.</p> <p>This could result in having an impact on the production of Annual Benefit Statements for scheme members.</p>	<p>6</p> <p>(3 x 2)</p> <p>DOT</p> <p>➔</p>	<p>3</p> <p>(3 x 1)</p>	<p>Internal audit work undertaken on LPPA controls to provide assurance that internal controls over the operation and administration Cumbria's data are adequate and effective (annually).</p> <p>Monthly reconciliation of employer contributions to data submitted by the employer.</p> <p>Quarterly LPPA key performance indicators include measures of timeliness of update of records.</p> <p>The quarterly LPPA report to December 2021, reports data quality of 98.5% for common data and 96.5% for scheme-specific data (a result in line with other Firefighters' Pension schemes).</p> <p>Employer responsibilities are reinforced by officers through a range of communication channels with the employee/scheme member.</p>	Planned improvements to data quality are reviewed and scrutinised on a quarterly basis by the Board.

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1.5	Scheme Employer & Scheme Manager	<p><b>Payment of contributions</b></p> <p>There is a risk that employer fails to pay contributions (or the correct level of contributions) into the scheme.</p> <p>This could be caused by employer error, business failure or the general impact of increases in employer contribution rates</p> <p>This could constitute a breach reportable to the Pensions Regulator.</p>	<p>8</p> <p>(4 x 2)</p> <p>DOT</p> <p>➔</p>	<p>8</p> <p>(4 x 2)</p>	<p>Monthly monitoring and reconciliation of contribution payments is undertaken by Scheme Manager to ensure contributions received are timely and accurate. This reconciliation is considered as part of the annual audit process.</p>	<p>Monitoring and reconciliation of contributions continue to be undertaken monthly and a full reconciliation is completed and checked as part of the year end process.</p>
1.6	Scheme Employer & Scheme Manager	<p><b>Sargeant Judgement</b></p> <p>This judgement relates to transitional arrangements introduced as part of the 2015 reforms which were discriminatory and, therefore unlawful. The risk is that agreeing to any remedy to remove the discrimination to affected members ahead of legislation may have unintended consequences and significant financial</p>	<p>15</p> <p>(3 x 5)</p> <p>DOT</p> <p>➔</p>	<p>9</p> <p>(3 x 3)</p>	<p>The governance issues have been considered and the Section 151 Officer has been given the delegated authority to make decisions on the implementation of immediate detriment. A report was written providing information on the remedy and immediate detriment cases and the recommendation not to process ID cases at this time, with a further review within 3 months was agreed.</p> <p>Officers will continue to monitor this situation, liaising with the LGA, LPPA and other FRAs to keep up to date with latest advice and guidance.</p> <p>The Scheme will be discussing this issue with LPPA through its usual monitoring meetings and will be making preparations for managing the additional</p>	<p>The Scheme is continuing to monitor announcements relating to Sargeant.</p> <p>Officers will continue to provide the Section 151 Officer with relevant up to date information in relation to Firefighter pensions and Immediate Detriment (ID) cases affected by the Sargeant / McCloud judgement and the subsequent remedy.</p> <p>The Scheme will be working closely with LPPA to identify what additional workload is required.</p> <p>Planned improvements will be reported to the Fire Local Pension Board when there is greater clarity as to what is required from the Scheme.</p>

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		<p>impact including tax liabilities.</p> <p>The risk is compounded by insufficient budget to fund the required remedy and any associated project work costs. There is a risk of legal breaches reportable to the Pensions Regulator; incorrect pension entitlements being calculated for pensioners; and loss of credibility with scheme members and employer.</p> <p>There is also a risk of the FBU issuing legal proceedings against the FRA if we do not process ID cases.</p>			<p>workloads. This is likely to have an impact on the Pensions Administration budget however it is not expected that any material additional costs will be incurred until 2022/23.</p> <p>Officers are continuing open communication with the FBU, and other trade unions, regarding the current position and latest advice and guidance.</p>	<p>Officers are currently reviewing the quality of data held by LPPA to assist in managing the risk of incorrect pension entitlements being calculated for pensioners; and loss of credibility with scheme members.</p>
1.7	Scheme Employer & Scheme Manager	<p><b>O'Brien/Matthews Judgement</b></p> <p>This judgement relates to pre 2000 service, for part-time service. The risk is that we are unable to, adequately determine employment history, pensionable service and levels of contributions</p>	<p><b>12</b></p> <p><b>(3 x 4)</b></p>	<p><b>9</b></p> <p><b>(3 x 3)</b></p>	<p>This is a developing risk and the Scheme will be monitoring announcements from the Fire Scheme Advisory Board as to what additional information is required from the employer and the additional workstreams for the Scheme and LPPA.</p> <p>A Memorandum of Understanding was agreed by the HO LGA, FBU &amp; FRSA, following which the LGA provided a summary of the MoU and the second options exercise.</p>	<p>The LGA have released a summary document which provides more information about those in scope and the second options exercise.</p> <p>The relevant regulations are being drafted and will provide a further update when more information is known.</p> <p>The Scheme will be working closely with LPPA to identify what additional workload is required.</p>

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		<p>required to comply with required administration processes.</p> <p>This could be caused by employer not having historic employment data for affected members; LPPA/the employer not having appropriate resource to undertake the work; the Scheme having insufficiently capacity to adequately review the results; or insufficient budget to fund the required project work.</p> <p>This could result in legal breaches reportable to the Pensions Regulator; incorrect pension entitlements being calculated and loss of credibility with scheme members and employer.</p>			<p>The Scheme will be discussing this issue with LPPA/LGA through its usual meetings, as and when information is provided from central government. Only then can a full impact analysis be undertaken.</p>	<p>Officers are currently reviewing the quality of the data retained by CFRS from the FPS 2006 (special members) first options exercise. Following this, steps will be taken to identify those in scope for the second options exercise. A series of data checks will be undertaken, working in partnership with stakeholders to mitigate the risk of loss of credibility with scheme members.</p>



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## 2. Governance & Regulation

Risk Ref	Risk Owner	Risk Title & Description	Current Risk Score DOT	Target Score	Current Controls & Measures in Place	Planned Improvements to controls and measures to manage the risk
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2.1	Scheme Manager	<p><b>Pensions Regulator Intervention</b></p> <p>There is a risk that the Scheme commits a serious regulatory breach</p> <p>This could be caused by the Scheme failing to advise the Regulator of regulatory matter (e.g. reporting a breach, submitting the Scheme Return) or failing to implement new regulations.</p> <p>This could result in a detrimental effect to the service being provided to scheme members and the employer. It could also result in serious reputational implications for the Scheme Manager and potentially a financial penalty.</p>	<p>5 (5x1) DOT →</p>	<p>5 (5x1)</p>	<p>The Scheme Manager is appropriately resourced (following the recent recruitment to the post of Senior Advisor – Pensions) with well trained and knowledgeable staff who understand their regulatory obligations to the Pensions Regulator and other statutory bodies.</p> <p>The Scheme Manager ensures that staff take the time to consider upcoming deadlines and prioritise workloads accordingly.</p> <p>The Scheme has good contacts with other Scheme Managers, the LGA, CIPFA and other bodies to ensure that it is aware of changing regulations and their impact to the Scheme.</p> <p>The Fire Local Pension Board is advised on new regulations and emerging issues at each meeting.</p> <p>The Pensions Regulator is maintaining a focus on all Public Sector pension schemes and is beginning to levy its first fines for failure to meet regulatory obligations. The Pensions Regulator has also noted that it will be more proactive in enforcing regulations in the future.</p>	<p>Officers will continue to “horizon scan” to understand emerging issues that may have an impact on the future of the Scheme. Where appropriate, the Fire Local Pension Board will continue to be appraised of any emerging issues.</p> <p>The Scheme undertakes an annual assessment of training needs of each Member. The results of this assessment inform the Training Plan for the Scheme.</p> <p>Officers will arrange for high quality training to be available to all members Fire Local Pension Board throughout the year to ensure that Members have the appropriate skills and knowledge to take informed decisions at each meeting.</p>
2.2	Scheme Manager	<p><b>Regulatory Changes</b></p> <p>There is a risk that the Scheme is mandated to</p>	<p>8</p>	<p>8</p>	<p>Officers of the Scheme Manager respond to government consultations where relevant to help influence policy.</p>	<p>Officers of the Scheme Manager will continue to monitor the regulatory environment to be aware of any potential changes to the scheme.</p>

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		<p>change the benefits payable under the Scheme or other such regulatory change.</p> <p>This may be caused by government policy or amendments to regulations.</p> <p>This may result in the costing of the scheme being affected which could materially impact employer contributions.</p>	<p>(4 x 2)</p> <p>DOT</p> <p>➔</p>	<p>(4 x 2)</p>	<p>Where relevant, the Scheme Manager will support lobbying or lobby directly to ensure that its voice is heard in the development of national policy.</p> <p>Officers within the Scheme ensure that they are aware of impending amendments to regulations and advise the Fire Local Pension Board (and, where relevant, the employer and scheme members) in a timely way as to any amendments and their impact to the Scheme.</p>	<p>Where appropriate, officers will draft responses to consultations affecting the Scheme and consult with the Chair of the Fire Local Pension Board before submission.</p>
2.3	Scheme Manager	<p><b>Financial Irregularity</b></p> <p>There is a risk of fraud, fraudulent behaviour, or unintentional overpayments. This may be caused by fraudulent activity or misunderstanding.</p> <p>Failure to address financial irregularity may result in a financial loss to the Scheme Manager or employer, as well as reputational damage to the Council.</p>	<p>6</p> <p>(2 x 3)</p> <p>DOT</p> <p>➔</p>	<p>6</p> <p>(2 x 3)</p>	<p><b>Fraudulent Activity</b> – Active participation in the National Fraud Initiative reduces likelihood of unidentified deaths and fraudulent pension claims.</p> <p>Segregation of duties and a delegated scheme of authority minimises the risk of fraud within the Scheme.</p> <p><b>Unintentional overpayments</b> – The NFI activity may identify overpayments where no fraudulent activity has arisen, but a benefactor has unintentionally benefited from the Scheme, e.g. payments continuing to be made to a widow(er) following the death of their partner. In such instance's officers act compassionately.</p>	<p>Officers conducted a review of data from the National Fraud Initiative in 2021, and there are no outstanding issues. The next set of results from this biennial exercise are expected in early 2023.</p>

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2.4	Scheme Manager	<p><b>Loss of key personnel</b></p> <p>There is a risk that the scheme manager may lose key personnel.</p> <p>This risk could be caused by staff retiring, moving on or otherwise being on long-term absence.</p> <p>This could result in an erosion of skills and knowledge within the scheme manager.</p>	<p>4</p> <p>(2 x 2)</p> <p>DOT</p> <p>→</p>	<p>4</p> <p>(2 x 2)</p>	<p>The Scheme Manager is appropriately resourced and has effective arrangements in place to cover for short term absence. Managers consider succession planning for key staff within the team.</p> <p>A comprehensive skills needs assessment is undertaken for all Officers and Members of the Fire Local Pension Board on a regular basis and a training plan developed to address any areas for improvement.</p>	<p>The Scheme Manager will continue to consider succession planning arrangements in the event of loss of key personnel.</p> <p>An internal appointment within the team has given scope to help mitigate this risk.</p> <p>The training plan is approved by the Board.</p>
2.5	Scheme Manager	<p><b>Conflicts of interest</b></p> <p>There is a risk that conflicts of interest in the governance of the Scheme may detrimentally affect decision making.</p> <p>This could be caused by those involved with the governance of the Scheme being influenced by interests outside of the Scheme.</p> <p>This could result in decisions being taken that are detrimental to the</p>	<p>4</p> <p>(2 x 2)</p> <p>DOT</p> <p>→</p>	<p>4</p> <p>(2 x 2)</p>	<p><b>Fire Local Pension Board:</b> all members have signed up to the Board's Code of Conduct and Conflicts of interest policy (which are aligned to those of the Council). At each meeting, members are asked to disclose any changes to their situation.</p> <p>All interests are recorded and published on the Council's website.</p> <p>If appropriate legal advice can be sought as to any potential conflicts of interest within the Scheme.</p>	<p>The existing procedures are considered appropriate to mitigate the risk of conflicts of interest, but this position will be kept under review.</p> <p>Any potential conflicts of interest are declared at the commencement of each meeting and these are declarations are included in the minutes of each meeting.</p> <p>All members of the Fire Local Pension Board are aware of how to manage potential conflicts. If there is doubt members of the Board may seek advice from the respective Chair or the Council's Monitoring Officer.</p>

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		Scheme Manager or the Council.				
2.6	Scheme Manager & LPPA	<p><b>Operational Disaster</b></p> <p>There is a risk that an operational disaster may impact onto the Scheme.</p> <p>This could be caused by fire / flood / extreme weather events etc.</p> <p>This could result in the Scheme not being able to operate effectively.</p>	<p>4</p> <p>(4 x 1)</p> <p>DOT</p> <p>➔</p>	<p>4</p> <p>(4 x 1)</p>	<p><b>CCC:</b> Business continuity procedures are in place for the scheme manager (CCC). These are tested corporately on a regular basis in accordance with CCC policies and procedures.</p> <p>Where weaknesses are identified, these are addressed appropriately in order to improve the Scheme's preparedness for operational disaster.</p> <p><b>Administration (LPPA):</b> LPPA have business continuity procedures in place for Pensions administration. These are reviewed by Lancashire County Council's emergency planning services which provide a QA function by in respect of individual service plans.</p>	The existing procedures are considered appropriate to mitigate the risk of operational disaster, but this position will be kept under review.
2.7	Scheme Manager	<p><b>Fire Governance Transition</b></p> <p>There is a risk that the transition of Fire governance (either through LGR or the PCC) could have a significant impact on the sustained quality provision of the Cumbria Firefighters' Pension Schemes until 31 March</p>	<p>16</p> <p>(4 x 4)</p> <p>New Risk</p>	<p>6</p> <p>(3 x 2)</p>	<p>Throughout the transition process, the focus is on ensuring high quality provision is maintained through its most important services of:</p> <ul style="list-style-type: none"> <li>• Paying pensions;</li> <li>• Collecting contributions; and</li> <li>• Adhering to regulatory requirements.</li> </ul>	<p>Continue to work closely with key stakeholders including LPPA, identifying administration contract issues and developing plans to secure on going Fire pension administration in the short term.</p> <p>This needs to be a consideration to ensure that key skills are not lost through the transition of Fire Governance.</p>

# Cumbria Fire Local Pension Board Risk Register at May 2022

# Appendix 1

Risk Ref	Risk Owner	Risk Title & Description	Current Risk Score DOT	Target Score	Current Controls & Measures in Place	Planned Improvements to controls and measures to manage the risk
			(Impact x Likelihood)			
		<p>2023 and potentially beyond.</p> <p>The retention of skilled staff.</p> <p>This could be caused by increased workload pressures on key staff with key areas of work including identifying and assessing options for the governance arrangements for the Fund post vesting date; and ensuring arrangements are in place for the continuation of key externally provided services e.g. banking and pensions administration.</p>				

**Note:** An upward arrow on the Direction of Travel represents an increase in the risk score since the previous quarter – hence either the potential impact or the likelihood of the risk occurring has increased.

Similarly, a downward arrow on the Direction of Travel represents a decrease in the risk score since the previous quarter – hence either the potential impact or the likelihood of the risk occurring has decreased.