

WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD

5th October 2023

KEY FINANCIAL CONTROLS REPORT

Purpose of the Report

1. The purpose of this report is to highlight the significant issues in relation to the Fund's key financial controls.

Background

2. Officers in the investments and accounting team have been reporting on various key accounting measures for some time and have developed a program of planned improvements to various processes and controls. The purpose of this report is so that the Committee and Local Pension Board can easily review key areas and monitor progress against planned improvements.

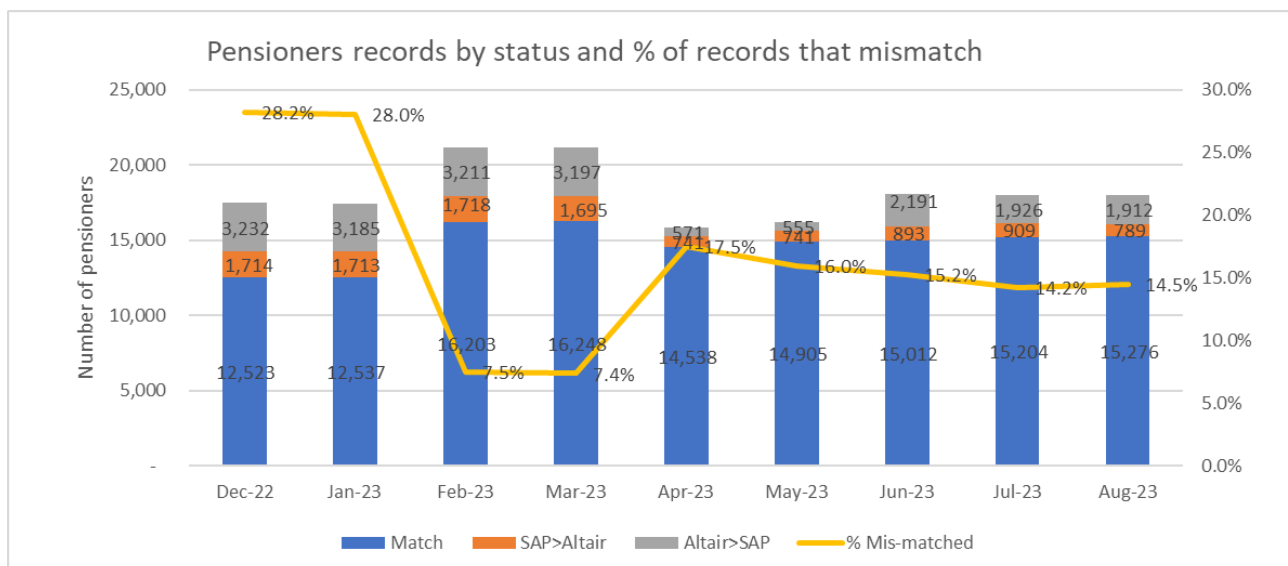
Key Considerations for the Committee / Risk Assessment / Financial Implications

Accounts and Annual Report

3. Final sign off for the full Wiltshire Council Accounts for 2019/20, 2020/21 and 2021/22 continues to be delayed, the Pension fund accounts form a part of the full Council accounts and the delay, which is due to an issue within the Wiltshire Council figures, has meant the pension fund accounts have not received their final audit opinion for inclusion in the annual report. Officers have responded to all requests by the external auditors for information for all years of accounts. To ensure we comply with The Pensions Regulator (TPR) requirement to publish the report, they are available on the website for all years with a note in the audit report section explaining the unaudited status.
4. Work is completed on the accounts and annual report for 2022/23, the external auditors have commenced their work in September.

Payroll reconciliations

5. Work to reconcile and correct discrepancies between the Altair pension admin system and SAP payroll records continues. The reconciliation compares the annual pension payable on each system and quantifies the number of cases and value of discrepancies. The following graph shows the extent of the variances between the two systems. The reconciliation classifies anything >£1 per annum as a variance. There can be multiple reasons for the discrepancies which can range from a fundamental incorrect payment to data mismatch problems. Therefore the gross value of SAP>Altair or SAP<Altair figure represents the extent of the mismatch. Because all of these issues require resolution for the fund to move to a single integrated payroll it is relevant to report all such discrepancies.



- The reconciliation data shows a significant improvement in February, this is as a result of work to bulk correct cases <£5pm different. The overall mismatch by cases reduced to 7.5%. However following the application of the pension increase in April 2023 this has created an increase in the mismatch between the systems. The reconciliation has identified this issue which was caused by the application of the pension increase which highlighted errors in the way payroll records for GMP had been set up. Work is ongoing to correct this issue, which has mostly created a high number of small value underpayments.

Integrated Systems

- Project Evolve is ongoing within Wiltshire Council, this will deliver a replacement to the existing SAP payroll and accounting software. The pension team are members of implementation working groups, officers are working with the payroll and Evolve implementation teams to transfer existing pensioners to the new payroll system.
- The new Evolve system is scheduled to go live in November 2023, the finance team are working hard to ensure all current processes can be carried out via the new system, making payments, accounting for income and costs.
- Officers have commenced work with Heywoods, who provide the Altair system, to implement integrated payments. This will provide a new process for making all one-off payments to pensioners, e.g. lump sums, without the need to run reports and send separate information to the council accounts payable team. Initial training and testing of the system is underway and new processes and procedures are being developed. Following implementation of the new Evolve payroll a plan will be prepared to transfer pensioners onto the new integrated payroll within Altair. Any new payment system will only go live following extensive review and establishment of clear procedures, and final sign off to proceed from the Head of Wiltshire Pension Fund and the Treasurer to the Fund.

Quarterly Financial Performance Dashboard

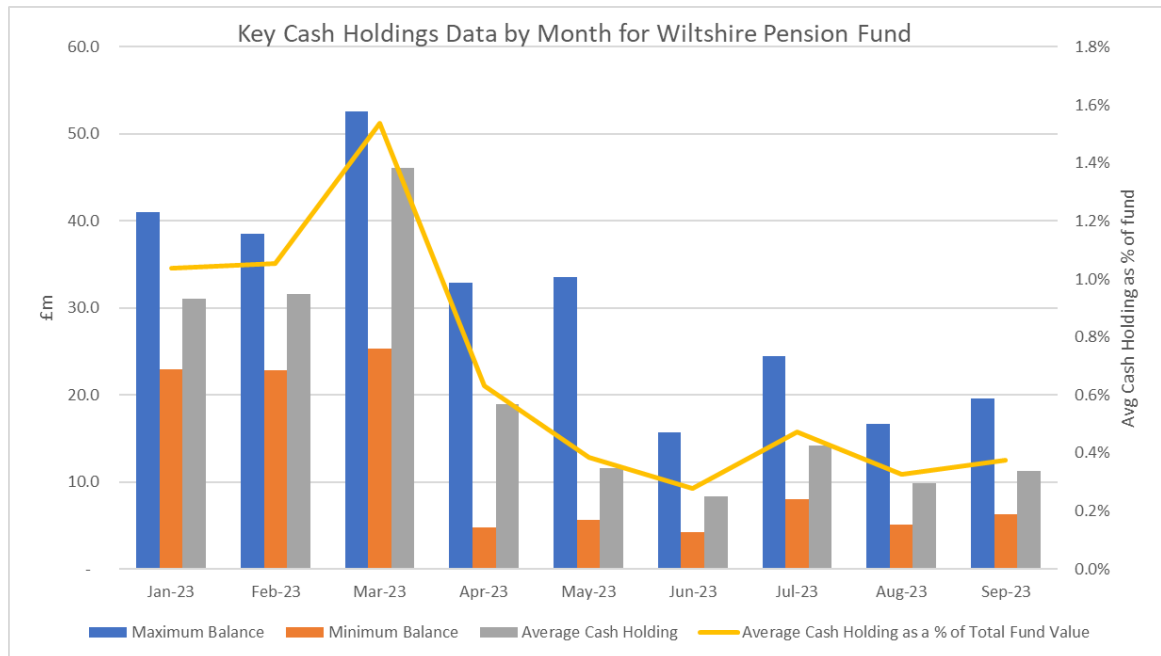
Wiltshire Pension Fund - Key Financial Controls Dashboard				
Control Area	RAG	Items reviewed under this control area	Comments on Performance	Ongoing Actions
	Aug-23			
1. Employer Contributions		Timely and accurate payment of employer contributions each month.	See summary performance table for full details. Almost all employers paying on time and with the correct rate.	Work ongoing to improve reconciliation process to i-connect submissions
2. Payroll		Monthly payroll sign off process checking starters and leavers plus reconciliation of Altair to Payroll	New reconciliation process being used to monitor discrepancies between the pension admin system and payroll, reported on within this paper.	Correction of errors created from the Pension Increase exercise required
3. Cashflow, banking and capital calls		Maximum and minimum cash balances, private markets capital calls and distributions and treasury performance.	See summary performance table for full details.	Issue with a single approval required by the banking provider for large payments has increased the risk to making timely payments. Treasury limit for operational cash temporarily exceeded due to higher employer contributions, review of treasury policy required.
4. Balance Sheet Reconciliations		All balance sheet control codes are reviewed for accuracy and outstanding issues.	All control codes have been reviewed and checked, no unexplained balances.	None
5. Altair Checks		Check between the ledger and pension admin system (altair) that any transactions, such as payments or receipts match the admin system.	All reconciliations have been undertaken discrepancies have reduced following active engagement with the Admin team to review old cases.	None
6. Financial Budget Reporting		Review of year to date and forecast operating budget performance, or any unusual monthly movements on the overall fund account.	Forecast inline with budget.	None
No material concerns				
Minor issues				
Major issues				

10. The following table provides further details for performance dashboard item 1. Employer contributions.

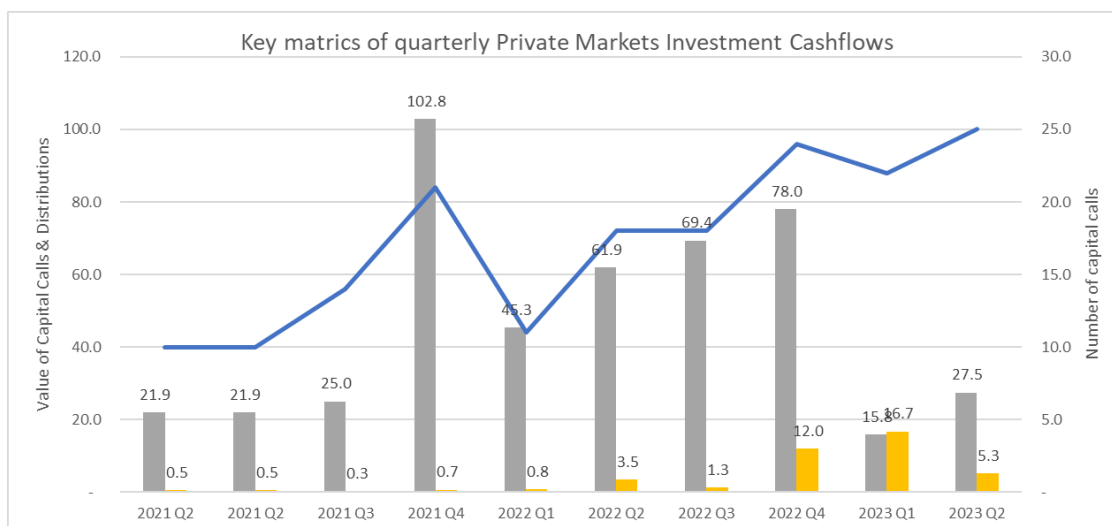
Summary of Contributions Payment Performance										
Quarter	Payroll Month	Paid contributions £000's				Average late and overdue contributions total days		Number of employers payments status		
		Total Payment	On Time Payment	Late Payment	Late Payment %	Days Late Recd	Days Overdue	On time	Late	Not Received
Q1	Apr-23	35,498	34,625	873	2.5%	6.6	-	167	7	-
Q1	May-23	8,281	6,267	2,014	32.1%	6.2	99.0	164	10	1
Q1	Jun-23	8,288	8,286	-	0.0%	-	69.0	174	-	1
Q2	Jul-23	8,267	5,998	2,269	37.8%	6.6	38.0	161	10	2
Q2	Aug-23	8,219	8,217	2	0.0%	1.3	10.5	167	4	2
Total	Q1	52,067	49,178	2,887	5.9%	4.3	56.0	505	17	2

11. The majority of the late payments are received within a day or two of the deadline and all employers who have not paid are contacted immediately after the deadline day to remind them to pay. Persistently late payments or employers where we have problems are escalated to the employer engagement and training officer for resolution. There remain a few payments which have not yet been received from small employers, the fund has received assurance these outstanding payments will be received soon.

13. The operational cashflow is managed on a daily basis by the Wiltshire Council team, this covers all cash not held by the funds custodian or investment managers. This cash forms a part of the overall cash reported in the tables above. The pension fund officers work closely with this team to ensure sufficient liquidity is always available.
14. The new SALAMI (strategic allocation to liquid asset-matching investments) portfolio has allowed the fund to reduce the amount of cash it holds to meet capital calls, this can be seen from the lower average balances from April 2023, it has also improved operational efficiency in meeting call notices.



15. Cashflow activity for private markets capital calls have continued to be met as commitments made to Brunel Cycle 2 portfolios (Private Debt, Private Equity, Infrastructure & Secured Income) are called and the fund commitments to affordable housing.



Planned improvements and key items to monitor

16. The team has been making improvements to accounting processes in several areas. A summary of planned improvements, current issues and progress to date, is shown below:

Improvement / Issue	Last RAYG* rating	Current RAYG* rating	Comments
Integrated systems			New plans are now being worked on to implement an integrated payroll and a one-off payments system within Altair. The payroll will be set-up, tested etc. and then pensioners would transfer to the new Evolve system and be moved to the Altair payroll in batches when the reconciliation work is complete and the payroll team have capacity. One-off payments is in the process of being implemented.
Evolve			Implementation of the SAP financial system is now planned for November 2023. The fund will continue to have access to a functional finance system and payroll until the new system is established. The pension is represented on key implementation working groups. The new system is in development to meet the Council and pension fund needs.
Wiltshire Council – Wiltshire Pension Fund SLA charge			LPB Action Point – SLA Recharge The Council have provided a new fee for 23/24 based on a reasonable methodology for all key items, these costs have been included in the agreed budget for the year. Officers are chasing for a formal SLA document to support all the charges, to be drafted by the council.
	Significant concern		
	Not started		
	Work has commenced		
	Significant progress made		
	Completed/situation under control		

Budget Forecast

17. The fund is forecasting expenditure slightly above budget for the year 2023/24, this is after including additional costs approved by Committee for the office space rental (Annual Cost £84k, 2023/24 cost £49k for 7 months) and a proposed additional cost for investment advisory work, covered in point 20 below. Excluding this additional approved cost the fund is forecasting a small underspend of £49k.
18. The forecast assumes work on the major outsourcing projects of payroll reconciliation and backlog clearance remain within budget.
19. Underspends are forecast on staffing costs due to vacancies within the team and delays in recruiting staff. The national pay award for local government staff has not yet been agreed, this forecast assumes a pay award in line with the budget plan (Pay Inflation – Based on the latest pay award offer as at February 2023 of a fixed £1,925k increase for all grades).
20. The forecast includes an additional £50k of investment consultancy costs above the original budget to enable implementation of the Climate Opportunities Investment portfolio. This covers investment advice and due diligence reporting for the >£200m allocation to new investment managers. Officers are requesting approval from the Committee of these additional costs above the budget to enable implementation of the strategic asset allocation.

Wiltshire Pension Fund Budget 2023/24

£000's	Prior Year				2023/24			
	2019/20	2020/21	2021/22	2022/23	Forecast	Budget	Variance	% Variance
Investment administration staffing costs	119	114	206	193	238	245	7	3%
Investment administration travel/conferences/training costs	0	2	24	1	18	18	(0)	-1%
Total investment administration costs	120	116	230	194	256	263	7	3%
Pension scheme administration staffing costs	996	1,036	1,152	1,332	1,639	1,672	32	2%
Staff training	19	22	18	19	21	22	1	3%
Corporate charges	311	311	311	308	565	515	(49)	-10%
Pension administration systems and data cleansing	310	354	328	409	606	618	12	2%
Other administration costs	107	51	28	419	728	727	(1)	0%
Total scheme administration costs	1,743	1,775	1,838	2,487	3,559	3,554	(5)	0%
Oversight & governance staffing costs	246	180	225	236	257	266	9	3%
Training and conferences	8	0	24	18	30	30	0	2%
Subscriptions, memberships and levies	34	32	44	33	36	39	3	8%
Actuarial services	214	154	147	391	142	156	14	9%
Audit	10	37	27	40	91	91	0	0%
Legal fees	13	11	28	54	50	29	(21)	-75%
Advisory fees	142	196	276	230	284	233	(50)	-21%
Corporate charges & other costs	149	165	144	146	47	47	(0)	0%
Total oversight & governance costs	815	775	916	1,146	936	892	(44)	-5%
Local Pension Board costs	14	14	15	17	26	24	(2)	-8%
Total operational running costs	2,692	2,679	2,998	3,845	4,777	4,733	(44)	-1%
Number of Members	80,824	82,454	82,454	82,454	82,454	82,454		
Total Running Cost per member (Admin & Governance)	£ 31.83	£ 31.09	£ 33.58	£ 44.27	£ 54.83	£ 54.21	-£ 0.62	-1%
Additional Costs								
New Office Space					49	0	(49)	
Climate solutions investment costs					50	0	(50)	
Exclude Additional Approved Costs					99	0	(99)	
Amended Costs Excluding additional Approved costs					4,678	4,733	55	

Environmental Impacts of the Proposals

21. There is no known environmental impact of this report.

Safeguarding Considerations/Public Health Implications/Equalities Impact

22. There are no known implications at this time.

Proposals

23. The Committee is asked to use this report to monitor progress against resolving the issues which have been identified, and the progress made to develop accounting and control improvements.

24. The Committee is asked to approve the additional £50k of investment due diligence and advice in relation to the Climate Opportunities Portfolio.

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Unpublished documents relied upon in the production of this report: NONE