

WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD
23rd September 2024

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. The purpose of this report is so that the Committee and Local Pension Board can easily review key areas of financial controls 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, 2022/23 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.
4. 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.
5. A draft set of accounts for 2023/24 has been prepared, these were provided after the 31st May deadline due to issues caused by the Oracle system implementation. Interim audit work has been undertaken by Grant Thornton and fieldwork on final audit started in July. Auditors assessed audit risk as high this year, due to various factors (implementation of new financial system during year, GT auditing council for the first time and council not having previous financial year reports signed off). High audit risk is affecting materiality in the way that creates more testing and sampling. This is impacting workload of the team significantly.

Quarterly Financial Performance Dashboard

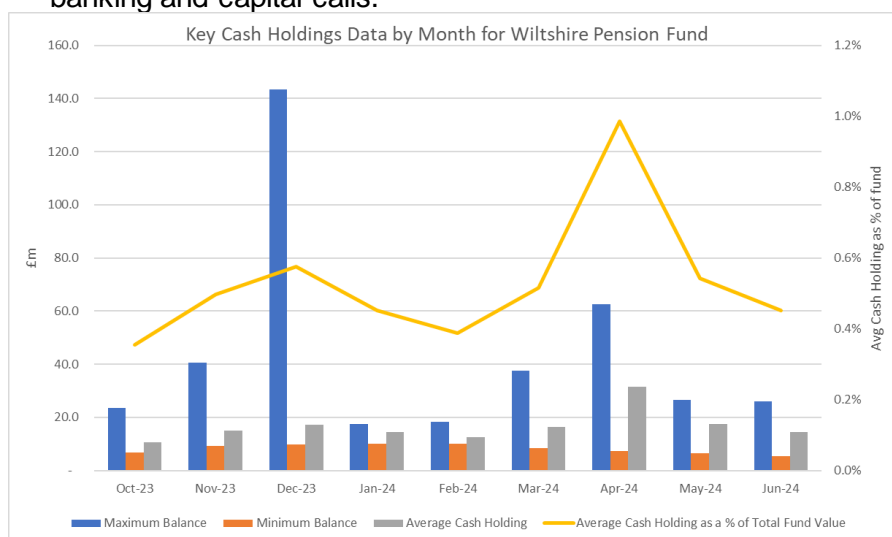
| Wiltshire Pension Fund - Key Financial Controls Dashboard | | | | |
|---|--------|--|--|---|
| Control Area | RAG | Items reviewed under this control area | Comments on Performance | Ongoing Actions |
| | Aug-24 | | | |
| 1. Employer Contributions | | Timely and accurate payment of employer contributions each month. | See summary performance table for full details. Almost all employers paying on time and with the correct rate. New reconciliation process established between I connect and banking | None |
| 2. 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. | None |
| 3. 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 prior to Evolve implementation. Year end balance sheet balances have been reviewed and are all acceptable. New bank reconciliation set up with move to Oracle and moved from corporate finance team to pension accountancy | Refreshing working documents for future work with Oracle system and rolling forward previous year working papers. |
| 4. Altair Checks | | Check between the ledger and pension admin system (altair) that any transactions, such as payments or receipts match the admin system. | New integrated payments process removes the need for these checks. New control measures will be designed. | Development of new reporting checks. |
| 5. Financial Budget Reporting | | Review of year to date and forecast operating budget performance, or any unusual monthly movements on the overall fund account. | Issues with the new system have prevented reporting against the budget expenditure. New starters in the finance team will bring capacity to address this issue. | Get the processes up and running again following the evolve implementation. |
| No material concerns | | | | |
| Minor issues | | | | |
| Major issues | | | | |

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

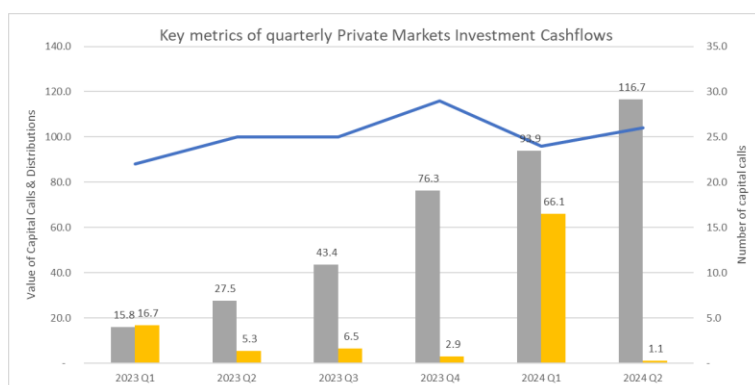
| Quarter | Payroll Month | Paid contributions £000's | | | | Average late and overdue contributions total days | | Number of employers payments status | | |
|---------|---------------|---------------------------|-----------------|--------------|----------------|---|--------------|-------------------------------------|------|--------------|
| | | Total Payment | On Time Payment | Late Payment | Late Payment % | Days Late Recd | Days Overdue | On time | Late | Not Received |
| Q1 | Apr-24 | 8,982 | 6,528 | 2,455 | 37.6% | 3.0 | - | 156 | 9 | - |
| Q1 | May-24 | 8,958 | 8,127 | 831 | 10.2% | 6.3 | - | 159 | 6 | - |
| Q1 | Jun-24 | 9,106 | 8,214 | 892 | 10.9% | 5.6 | - | 160 | 5 | - |
| Q2 | Jul-24 | 9,142 | 9,118 | 24 | 0.3% | 4.2 | - | 159 | 6 | - |

7. 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. A small number of employers increase the days late received, persistently late payments or employers where we have problems are discussed in the employer data and contributions working group are appropriate actions are agreed relevant to each employer.

8. The following graph provides further details for performance dashboard item 2. Cashflow, banking and capital calls.



9. Cashflow activity for private markets capital calls have continued to be met as commitments are called. The large investments in Q2 2024 are payments to a new investment commitment in Clops and to fund our existing commitment to an affordable housing fund.



Budget Outturn for 2023/24

As at the end of March 24 the fund underspend its operating budget of £4.4m by £345k (7%).

The main cause of the underspend were due to staffing vacancies incurred throughout the year, there was also an underspend against systems implementation costs for the integrated payroll, these costs will now be incurred in 2024/25 causing a cost pressure to this budget.

Additional costs were incurred for legal review of new funds included in the Clops portfolio and for the new office space rental, both of which received prior approval from Committee. Higher actuary costs were incurred due to work ongoing to resolve issues with employers.

In year monitoring of the budget had been made impossible due to the system changeover issues.

Wiltshire Pension Fund Budget 2023/24

| £000's | Prior Year | | | | 2023/24 | | | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|---------------|-------------|
| | 2019/20 | 2020/21 | 2021/22 | 2022/23 | Actual | Budget | Variance | % Variance |
| Investment administration staffing costs | 119 | 114 | 206 | 198 | 206 | 245 | 38 | 16% |
| Investment administration travel/conferences/training costs | 0 | 2 | 4 | 8 | 1 | 8 | 7 | 93% |
| Total investment administration costs | 120 | 116 | 210 | 206 | 207 | 253 | 46 | 18% |
| Pension scheme administration staffing costs | 996 | 1,036 | 1,152 | 1,267 | 1,442 | 1,672 | 230 | 14% |
| Staff training | 19 | 22 | 18 | 28 | 29 | 22 | (8) | -36% |
| Corporate charges | 311 | 311 | 311 | 311 | 565 | 515 | (49) | -10% |
| Pension administration systems and data cleansing | 310 | 354 | 328 | 622 | 416 | 618 | 203 | 33% |
| Other administration costs | 107 | 51 | 28 | 970 | 704 | 777 | 74 | 9% |
| Total scheme administration costs | 1,743 | 1,775 | 1,838 | 3,199 | 3,155 | 3,604 | 450 | 12% |
| Oversight & governance staffing costs | 246 | 180 | 225 | 238 | 230 | 266 | 36 | 13% |
| Training and conferences | 8 | 0 | 24 | 28 | 1 | 30 | 30 | 98% |
| Subscriptions, memberships and levies | 34 | 32 | 44 | 36 | 42 | 39 | (2) | -6% |
| Actuarial services | 214 | 154 | 147 | 319 | 231 | 156 | (75) | -48% |
| Audit | 10 | 37 | 27 | 83 | 115 | 91 | (24) | -26% |
| Legal fees | 13 | 11 | 48 | 49 | 147 | 39 | (109) | -282% |
| Advisory fees | 142 | 196 | 276 | 279 | 242 | 233 | (9) | -4% |
| Corporate charges & other costs | 149 | 165 | 144 | 146 | 47 | 47 | (0) | 0% |
| Total oversight & governance costs | 815 | 775 | 936 | 1,178 | 1,055 | 902 | (153) | -17% |
| Local Pension Board costs | 14 | 14 | 15 | 25 | 21 | 24 | 3 | 12% |
| Total operational running costs | 2,692 | 2,679 | 2,998 | 4,608 | 4,438 | 4,783 | 345 | 7% |
| Number of Members | 80,824 | 82,454 | 84,438 | 85,458 | 85,739 | 85,739 | | |
| Total Running Cost per member (Admin & Governance) | £ 31.83 | £ 31.09 | £ 33.03 | £ 51.51 | £ 49.35 | £ 52.84 | £ 3.49 | 7% |
| 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 | | | | | 4,339 | 4,783 | 444 | |
| Reference item - Managed as part of investment manager fees | | | | | | | | |
| Brunel Running Costs | 1078 | 1,575 | 1,206 | 1,192 | 1,253 | 1,222 | (31) | (0) |

Environmental Impacts of the Proposals

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

11. There are no known implications at this time.

Proposals

12. The Committee is asked to use this report to monitor progress against resolving the issues which have been identified.

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