

WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD
10th August 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.

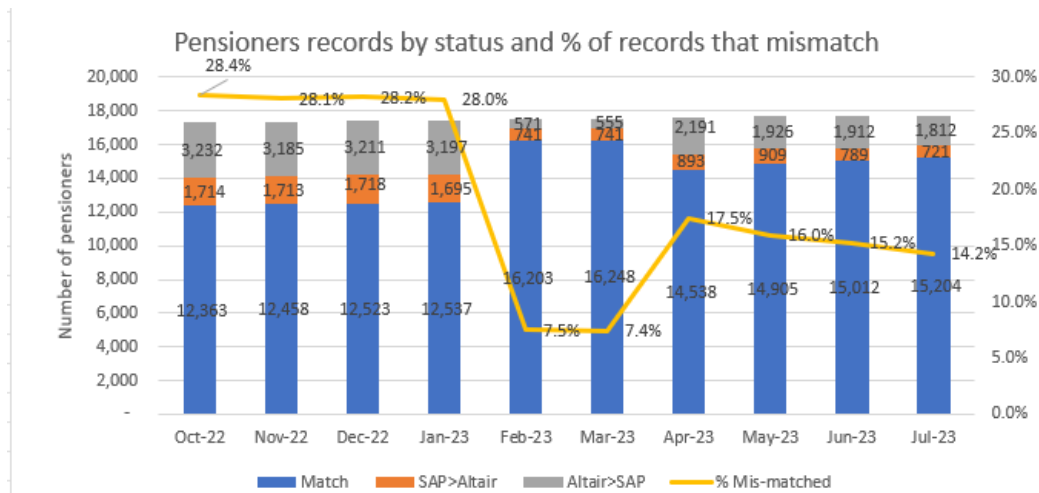
Key Considerations for the Committee / Risk Assessment / Financial Implications

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.
4. Work is completed on the accounts for 2022/23 and we await the arrival of the auditors 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.



6. 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 due to the way the inflationary uplift has been applied to different pay elements which make up the total pension payment. A project has been established to work on a correction process which could take several months.

Integrated Systems

7. 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.
8. The new system will be going live in November 2023 and will change the accounting system and other systems for pension staff. There will be a 2 week cut over period when some payments will not be able to be made, fund officers have a plan to ensure communication with members due payments in this period is clear on when to expect money. The payroll module of the new system has been disaggregated from the November go live and will now start in April 2024. This will create added complexity for the pension fund as it will occur whilst the fund is running the annual pension increase exercise.
9. 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. 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
	Jun-23			
1. Employer Contributions	Green	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	Yellow	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.	Outsourced provider working to resolve discrepancies above £5p/m
3. Cashflow, banking and capital calls	Yellow	Maximum and minimum cash balances, private markets capital calls and distributions and treasury performance.	See summary performance table for full details. All capital calls met on time.	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	Green	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	Green	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	Green	Review of year to date and forecast operating budget performance, or any unusual monthly movements on the overall fund account.	Budget agreed for 23/24	Work to forecast following Q1 is ongoing
No material concerns	Green			
Minor issues	Yellow			
Major issues	Red			

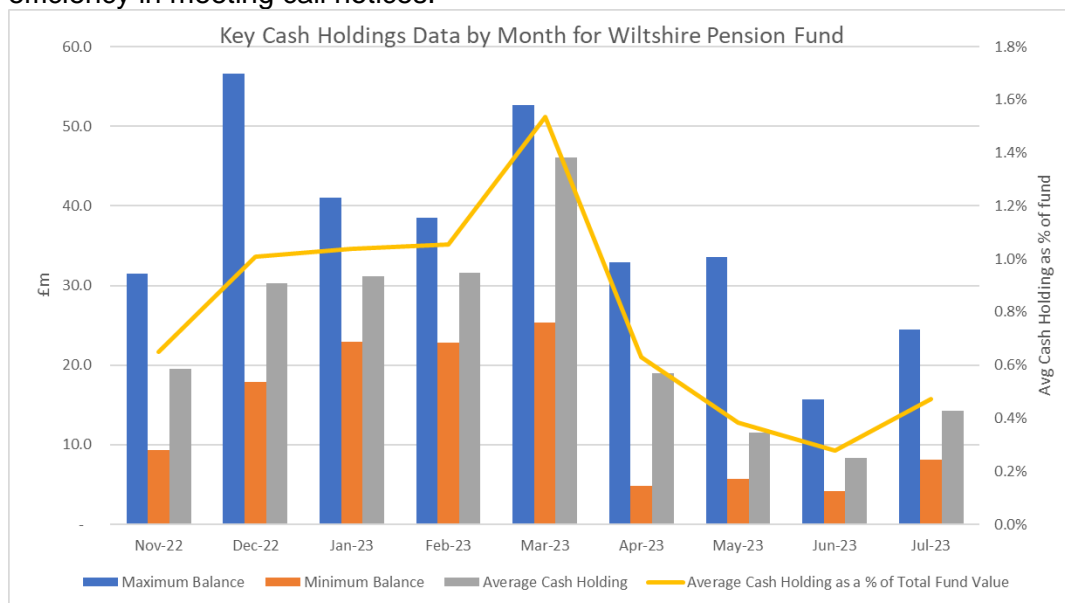
10. The following table provides further details for performance dashboard item 1. Employer contributions.

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	35,496	34,623	873	2.5%	6.6	-	167	7	-
Q1	May-23	8,277	6,263	2,014	32.2%	6.2	36.0	164	10	1
Q1	Jun-23	8,286	8,286	-	0.0%	-	6.0	173	-	2

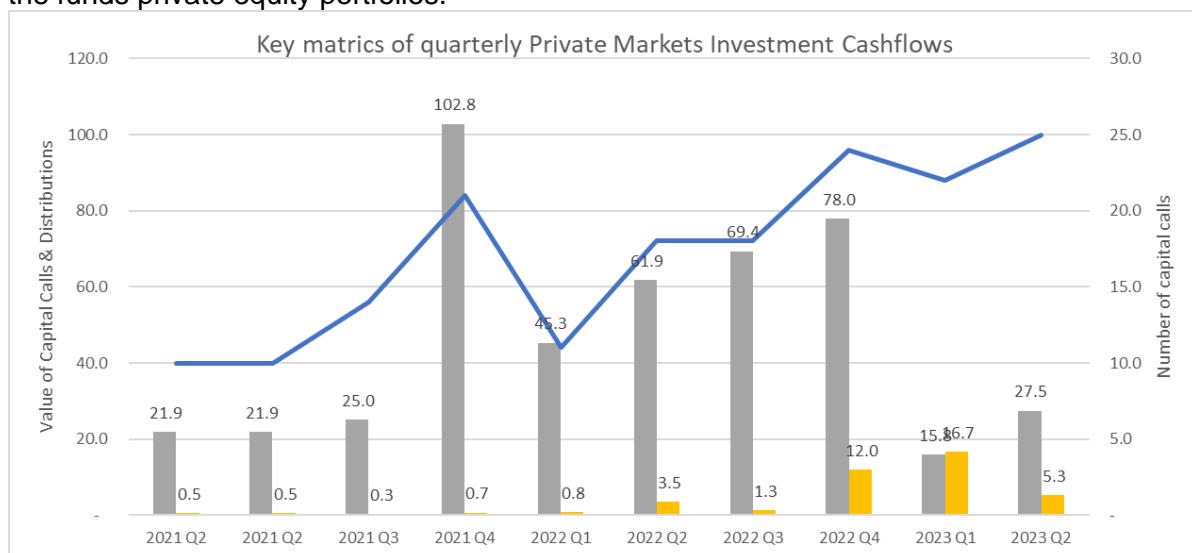
11. Only 3 payments remain outstanding at the time of writing this report for small admitted bodies in the fund. The majority of the late payments are received within a day or two of the deadline and all employers who have not paid are contacted immediately after the deadline day to remind them to pay. Persistently late payments or employers where we have problems are escalated to the employer engagement and training officer for resolution.

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. The treasury policy sets a limit of £10m of operational cash to be held in money market funds. This limit has had a planned breach for a short period of time due to higher receipts from employers and a need to maintain sufficient cash to meet unpredictable payment runs. The treasury policy will be revised to set a slightly higher limit to accommodate this.

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. Q1 and Q2 of 2023 included a high number of low value capital calls mainly for the funds private equity portfolios.



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. New payroll manager has started to enable these new processes.
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		

Environmental Impacts of the Proposals

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

18. There are no known implications at this time.

Proposals

19. 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.

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