

WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD
13 February 2024

WILTSHIRE PENSION FUND HEADLINES AND MONITORING REPORT

Purpose of the Report

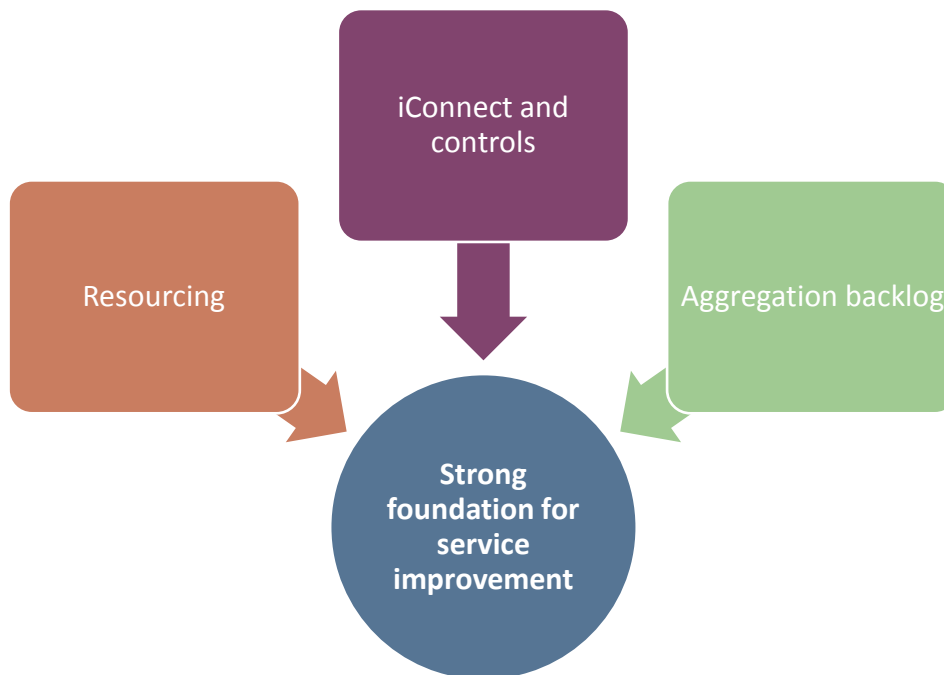
1. The purpose of this report is to provide the Board with information in relation to various standard issues, to enable the Board to fulfil its monitoring role.
 - a) Headlines
 - b) Key business plan items – Aggregations backlog, i-Connect & controls and Resourcing.
 - c) Scheme, Regulatory, Legal and Fund Update
 - d) Risk Register
 - e) Administration KPI update – 1 October 2023 to 31 December 2023.
 - f) Business Plan 2024/27 summary
 - g) Audit update 2023/24
 - 1) SWAP Audit KPI 2023/24
 - 2) SWAP Audit KFC 2023/24
2. This report is intended to highlight key issues and developments. Full detail is provided in the Appendices.

Report from Head of Wiltshire Pension Fund

3. This section summarises key events across the Pension Fund over the last quarter.
 - a) Investment performance for the quarter to Dec-23 was +3.9%, compared to a benchmark return of +3.8%. The fund value at the end of Dec-23 was just over £3.2bn. Performance for the full calendar year 2023 was +8.1%.
 - b) The funding level at the end of Dec-23 was 126.4% (based on a roll-forward of the 2022 funding level).
 - c) The backlogs project and the pensioner payroll rec projects are now complete. There is a small residual amount of work for the WPF team to complete.
 - d) We are experiencing ongoing issues with a high level of vacancies in the team, at all levels from admin manager down to processing staff, and also within the investment team.
 - e) We have now successfully gone live with our integrated payments system. One-off payments (such as refunds, transfers etc) started being paid in December, and the first payroll run for new pensioners only was paid in January. We paid 98 pensioners, at a total value of £70k.
 - f) The first investment in Wessex Gardens, our South West renewable energy fund, has now been made, in a historical deal that made the press: [LGPS funds back largest operational solar deal in the UK \(room151.co.uk\)](https://www.room151.co.uk/news/lgps-funds-back-largest-operational-solar-deal-in-the-uk)
 - g) We ran a responsible investment survey of our members during January 2024 (having last done one in March 2021). We received an amazing 2,914 responses. The findings will be shared with the board at the meeting.
 - h) The actuarial contract tender is now live.
 - i) The new General Code has been published, and training on this important topic will be arranged for the LPB and Committee shortly.

Business Plan Priority Area Progress Updates

4. As set out in the Business Plan 23/24, the priority areas where we need to focus in order to deliver the maximum improvements to our admin service are as follows:



Resourcing – progress rating red

5. We are still carrying several vacancies and are struggling to recruit. This has a knock-on effect on our ability to deliver against our priorities.
6. Where possible, we have worked to deliver the actions as set out in the Business Plan 23/24. We have developed training plans for all staff, and are currently working on implementation. We also have continued to improve our management information, and when managers are appointed, we will support them to use this to run the teams as efficiently as possible.

iConnect and related controls – progress rating green

7. This area has been improved from red/amber to green, to reflect the fact that significant progress has been made. At the meeting, the Employer Services Work Management Officer will deliver a presentation to the board, showing what work has been done to improve controls, design a monthly cycle of work, ensure that iConnect is being properly used, and to train and engage with employers.
8. We are now finally in a position where we can begin onboarding employers to iConnect again, and this will begin with Swindon Borough Council.

Aggregation backlog – progress rating amber

9. As mentioned above, the Hymans contract has now finished, and from a combination of this work and internal projects, the open cases now sit at 3.5k, down from around 9k back in Sept-22. Of those open cases, only 1.5k are actually overdue, with the others still being within target. If the team had been on top of BAU, we would have no overdue backlog at all at this point. Next steps will be an audit of the remaining backlog, and project work to clear it.

10. The Service Improvement Team (SIT), as well as working on various initiatives to deliver efficiencies, has cleared a large number of old cases. The Service Improvement Lead Analyst will attend this meeting to deliver a presentation on the highlights of what the team have achieved since it was set up in May 2023.

Scheme, Regulatory and Legal Update (Appendix 1)

11. A scheme update is included in paragraph 3 of this report. Regulatory & legal updates have been provided via Hymans January 2024 Current Issues circular (Appendix 1). Key additional strategic Fund updates have been incorporated within the Fund's risk register section of this report.

12. TPR General Code of Practice Update (Key points)

- a) The Code was published on 10 January and is expected to come into force on 27 March 2024.
- b) It will unify and supersede 10 former codes, into 1 code fit for the 21st century.
- c) It is split into 5 sections: Governance, Funding & Investment, Administration, Communication & Reporting
- d) It confirms that for Public Sector Schemes, the Governing Body will be the Scheme Manager (The Pension Committee)
- e) It will increase existing "guidance" to "code". This code will be reinforced by existing compliance and legislation.
- f) Due to the definitions set out in the Pension Act 2004, sections 249a & 249b it has been determined that the Own Risk Assessments (ORA) and the Effective System of Governance (ESOG) are not mandatory for LGPSs. LGPSs need only demonstrate that "adequate" systems and controls are in place. However, LGPSs may wish to complete annual ORAs as part of a best practice approach.
- g) Committee member training will be a requirement and will include not just the need for a member training policy but reporting against that training policy.
- h) Key new areas and priorities include conflicts of interest and decision-making, investment governance, cyber controls, pension scams & ensuring that Council business continuity plans fully reflect the requirements of the pension fund.
- i) Officers propose to review the new code over the next 6 months and update their existing action plan. It is understood that the timeline to finalise implementation can be extended into 2026. &
- j) TPR intends to actively engage with Funds and will expect Funds to be compliant.

Risk Register (Appendix 2)

13. The version of the risk register presented in Appendix 2 relates to the month of December 2023. The December 2023 version will be the version submitted to the Committee meeting on 28 March. The officer led CROC Group continue to process and moderate ratings of monthly manager reviews in a consistent manner in the interim period.

14. A summary table is provided below for members to be able to monitor the key changes between versions submitted to their meetings. The purpose of this summary is to assist Board members in making their recommendations to the Committee.

15. The summary of key changes between the September and December versions, since the Board last reviewed the risk register in November are:

Risk Section	Section rating change	Key notes and mitigations during the period
Fund Governance	Amber to Green & back to Amber	<p>a) Whilst a 2024/25 audit plan had been commissioned & the KPI, KFC and external audit completed, as well as the Payroll Migration Phase II audit scope agreed, significant concerns remain about the appointment of auditors and the relevant services they can offer to the Fund.</p> <p>b) A new external auditor is to be appointed from 1 April 2024 and as a result of the Council's/Fund's accounts not being formally signed off for several years concern in relation to the audit handover arrangements has been highlighted.</p> <p>c) A review of contractual tenders for 2024/25 has been completed and circulated. However, key tenders are still a work in progress with the Procurement team's attitude to risk, priorities and processes creating barriers.</p>
Investment	Green to Amber	<p>a) The Fund's relationship with BPP has caused concern after the Fund's complaint was rejected concerning inappropriate stock holdings.</p> <p>b) The Government's autumn statement indicated that more investment powers would be passed to pooling arrangements, which may exasperate the Fund's relationship with BPP and increase potential conflicts of interest.</p> <p>c) BPP governance arrangements and 2024/25 budget expectations continue to cause concern for the Fund.</p>
Compliance and Regulations	Green to Amber	<p>a) An inability to fulfil a strategic investment governance role could impact the Fund in terms of compliance and regulations.</p> <p>b) Certain 3rd party service providers to scheme employers are not providing data and contributions to the Fund within statutory deadlines. This is creating additional work for officers.</p>
Performance	Amber to Green & back to Amber	<p>a) As a result of the rollout of Oracle immediate payments in November where hundreds of payments were paid late and many duplicated, a significant increase in complaints occurred. A lack of controls was highlighted as well as communication issues. Whilst these are being addressed, the risk of future occurrences means that this performance risk rating has increased.</p>

Administration KPIs (Appendix 3)

16. Tables 1 & 2 show the admin performance over the period from 1 October to 31 December 2023. January 2024 statistics were unavailable at the time of drafting. Regarding the overall Admin KPI picture, has improved over the period however we expected this to remain around this level as we implement the training plans over the next few months. This will be detailed further in the KPI improvement plan. The backlog has reduced by 319 cases since our last report. Open case volumes remained steady over the last three months, the audit of the backlog is due to take place shortly and the officers are still dealing with the effects of the duplicate payments issue.

17. Table 3 provide some analysis of the open cases. Table 3 shows a reduction of 450 cases that are older than 2 years with no cases older than 4 years and only two cases older than 3 years. The graph under the table shows the difference between completed and received cases except for the month of December however the difference is understandable due to the challenges faced in the month. On average we continue to complete more cases that we receive. The second graph shows the continued trend of cases over SLA reducing.

SWAP Audit KPI 2023/24 (Appendix 4):

18. The Chairs of the Board and the Committee requested a KPI audit to reassure both groups that the performance of the Fund is effectively monitored, accurately reported on and that appropriate action is taken to address any performance variances.

19. The scope of the audit covered:

- a) The KPI setting process to include consideration of the requirement and relevance of each KPI:
- b) The methodology for calculating KPIs:
- c) Accuracy of the reported KPIs and direction of travel indicators – including pre reporting review processes:
- d) Management oversight and reporting of the KPIs reported to the Board and Committee; and
- e) Monitoring of results by management and action plans put in place where KPIs are not achieving the determined target.

20. SWAP advised a “reasonable assurance” audit rating. The auditor’s made four recommendations. These were:

- a) To ensure that the current excel spreadsheet formula is secure and that an automated data extraction process, rather than the current manual updating arrangement is introduced to avoid errors. Additionally, that reported results are reviewed prior to circulation. (Priority 2)
- b) That the process outlined above is documented (Priority 2)
- c) To incorporate the changes above into the Pension Administration Strategy document (Priority 3): &
- d) To continue to revise the reporting in line with member feedback (Priority 3)

21. The recommendations were approved by the Committee at their meeting on 14 December and officers undertook to complete all recommendations by 31 March 2024.

SWAP KFC Audit review 2023/24 (Appendix 5a & 5b)

22. During December SWAP completed a KFC audit review based on the progress of the audit recommendations identified in November 2022. The review involved Fund officers providing SWAP with the latest version of their actions log dated October 2023 and supporting evidence in respect of each action, as requested by SWAP.

23. On completion of the review SWAP agreed in all cases with Fund officers in relation to the percentage progress made, as identified on the actions log, however as indicated in Appendix 5a not all evidence was made available to the auditors. Nevertheless, it was recorded that significant progress had been made overall during the preceding 12 months and that generally speaking satisfactory evidence was provided.

24. In line with the status of an audit review a re-rating of the audit completed in November 2022 did not take place. However, in support of SWAP’s one page review summary (Appendix 5a), Appendix 5b has been added for members information. Appendix 5b

represents the original November 2022 recommendations, with added commentary by SWAP on each section qualifying the progress made.

25. Members should note that Fund officers continue to fulfil the recommendations made where they have not been 100% completed. In particular, the following progress has can be noted:

- a) Onboarding of Scheme Employers to i-Connect has recommenced:
- b) Work is underway to implement the Employer scorecard:
- c) The Fund's overpayment policy has now been approved:
- d) Monthly reporting on transfers into the Fund had occurred. Whilst, in the second half of 2023 a system transfer impacted Fund officers' ability to maintain monthly reporting, this process will recommence on the system issues being resolved.
- e) Issuance of the KPI Improvement Plan
- f) A Quality Assurance Lead officer has been appointed to develop the work required in this area: &
- g) A bespoke risk register audit has been commissioned in 2024/25 the assure that the improvements recommended have been embedded.

Financial Implications

26. No direct implications.

Legal Implications

27. There are no known implications from the proposals.

Environmental Impacts of the Proposals

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

29. There are no known implications currently.

Proposals

30. The Board is asked:

- a) to note the Fund updates and progress against the Business Plan 2023/24 key priorities;
- b) to endorse the risk register in Appendix 2 & the summary of risk changes since the last review, as a true and fair view of the risks currently being experienced by the Fund and to recommend that endorsement to the Committee:
- c) To note the Committee's approval of the KPI audit recommendations
- d) to endorse the SWAP KFC audit review report in Appendix 5a and to recommend that report to the Committee as a true reflection of progress made.

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

Appendices:

Appendix 1 – Scheme, Legal, Regulatory and Fund updates
Appendix 2 – Full risk register

Appendix 3 – Administration KPIs
Appendix 4a & 4b – SWAP Audit Report KPI
Appendix 5 – SWAP Audit Report KFC