

AGENDA

Meeting: Local Pension Board
Place: The Kennet Room - County Hall, Trowbridge BA14 8JN
Date: Wednesday 18 October 2017
Time: 10.30 am

Please direct any enquiries on this Agenda to Libby Johnstone, of Democratic Services, County Hall, Bythesea Road, Trowbridge, direct line 01225 718214 or email libby.johnstone@wiltshire.gov.uk

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Chairman's Briefing

Date	Time	Location
18 October 2017	9:30am	Kennet Room

Membership:

David Bowater
Cllr Richard Britton
Lynda Croft
Sarah Holbrook

Mike Pankiewicz (Vice Chairman)
Howard Pearce (Chairman)
Barry Reed

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Please see the agenda list on following pages for details of deadlines for submission of questions and statements for this meeting.

For extended details on meeting procedure, submission and scope of questions and other matters, please consult [Part 4 of the council's constitution](#).

The full constitution can be found at [this link](#).

For assistance on these and other matters please contact the officer named above for details

PART 1

Items to be considered when the meeting is open to the public.

1 **Membership**

To note any changes to the membership of the Board.

2 **Attendance of non-members of the Board**

To note the attendance of any non-members of the Board present.

3 **Apologies**

To receive any apologies for absence.

4 **Minutes** (*Pages 7 - 24*)

To confirm as a true and correct record the Part 1 minutes of the previous meeting held on 13 July 2017.

The Board's action log is also attached for members' information.

5 **Declarations of Interest**

To receive any declarations of disclosable interest.

Board Members' Registers of Interest are available [here](#), members are reminded to review their RoI on a regular basis and report any changes to Democratic Services.

6 **Chairman's Announcements**

To receive any announcements through the Chairman.

7 **Public Participation and Councillors Questions**

The Board welcomes contributions from members of the public.

Statements

If you would like to make a statement at this meeting on any item on this agenda, please register to do so at least 10 minutes prior to the meeting. Up to 3 speakers are permitted to speak for up to 3 minutes each on any agenda item. Please contact the officer named above for any further clarification.

Questions

Those wishing to ask questions are required to give notice of any such questions in writing to the officer named above (acting on behalf of the Corporate Director), **no later than 5pm on 11 October 2017** in order to be guaranteed a written response prior to the meeting. Any question received between the above deadline, and no later than 5pm two clear working days before the

meeting, may only receive a verbal response at the meeting.

Please contact the officer named on the first page of this agenda for further advice. Questions may be asked without notice if the Chairman decides that the matter is urgent.

Details of any questions received will be circulated to Board members prior to the meeting and made available at the meeting and on the Council's website.

8 **Minutes, Key Decisions, and Annual Report of the Wiltshire Pension Fund Committee** *(Pages 25 - 32)*

To consider the Part 1 (public) minutes of the Wiltshire Pension Fund Committee meeting held on 27 September 2017.

The Fund's Annual Report 2016-17 is available [here](#).

9 **Training Item: Fraud Prevention and Mitigation** *(Pages 33 - 36)*

The Interim Strategic Pension Manager will provide an overview of the Fraud prevention process and ways these are mitigated for the Wiltshire Pension Fund.

The Head of Pensions presents a report updating the Board on Fraud policies.

10 **Scheme Legal, Regulatory and Fund update** *(Pages 37 - 42)*

A report provides an update on the latest Scheme, Legal, Regulatory and Fund developments for the Board's information.

11 **Risk Register Update** *(Pages 43 - 50)*

A report presents the current Risk Register for the Wiltshire Pension Fund for review by the Board.

12 **Administration Key Performance Indicators** *(Pages 51 - 56)*

A report presents the Fund's administration Key Performance Indicators for review by the Board.

13 **External and Internal Audit Update** *(Pages 57 - 96)*

A report outlines the outcome of the 2016-17 external audit, the developments in the appointment of the new external auditors, along with an update on the proposed 2017 internal audit plan.

14 **Guaranteed Minimum Pension (GMP) Project update** *(Pages 97 - 106)*

A report provides an update on the progress of the Fund's GMP Project reconciling members' records with those of HMRC.

15 **Annual Benefit Statement Publication Review** (Pages 107 - 108)

A report presents the outcome of the Annual Benefit Statement exercise for 2017 for the Board's information.

16 **Employers Contributions Review** (Pages 109 - 114)

A report updates the Board on the employer contributions monitoring process and proposed changes currently being implemented.

17 **Local Pension Board Feedback on the Wiltshire Pension Fund Website**

A verbal update will be provided by the Head of Pensions on the comments received from the Board Members in relation to feedback on the website.

18 **How did the Board do?**

The Chairman will lead a discussion on how the meeting went and request feedback on how the Board could be developed, and for members to feedback any relevant updates.

19 **Urgent items**

Any other items of business which, in the opinion of the Chairman, should be considered as a matter of urgency. Urgent items of a confidential nature may be considered under Part II of this agenda.

20 **Date of next meeting and Forward Plan** (Pages 115 - 118)

The next meeting of the Board will be held on 17 January 2018, other future dates can be found [here](#).

The Board's Forward Work Plan is attached for members' consideration.

21 **Exclusion of the Public**

To consider passing the following resolution:

To agree that in accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public from the meeting for the business specified in Item Numbers 22 – 24 because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraph 3 of Part I of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.

PART II

Item(s) during consideration of which it is recommended that the public should be excluded because of the likelihood that exempt information would be disclosed.

22 **Brunel Pension Partnership Update**

A verbal update on the progress of the Brunel Pension Partnership implementation will be provided by the Head of Pensions.

23 **Minutes and Key Decisions of the Wiltshire Pension Fund Committee and Investment Sub Committee** *(Pages 119 - 126)*

To consider the Part 2 (confidential) minutes of the meetings of the Wiltshire Pension Fund Committee held on 27 September and Investment Sub Committee held on 13 September.

24 **Minutes** *(Pages 127 - 136)*

To confirm the Part 2 (confidential) minutes of the meeting held on 13 July 2017.

LOCAL PENSION BOARD

PART 1 MINUTES OF THE LOCAL PENSION BOARD MEETING HELD ON 13 JULY 2017 AT THE NORTH WILTSHIRE ROOM - COUNTY HALL, TROWBRIDGE BA14 8JN.

Present:

Cllr Richard Britton, Lynda Croft, Sarah Holbrook, Mike Pankiewicz, Howard Pearce (Chairman) and Barry Reed

26 Membership

The Chairman welcomed Cllr Britton to the meeting, Cllr Britton had replaced Cllr Christopher Newbury on the Board.

Resolved:

To note the change to the membership as detailed above.

27 Attendance of non-members of the Board

Officers from the Wiltshire Pension Fund were in attendance.

28 Apologies

Apologies for absence were received from David Bowater.

29 Minutes

The minutes of the previous meeting and the Board's action log were presented.

The Board considered the action log and it was requested that action 6.21 in respect of feedback on CIPFA guidance could be set to complete and action 8.12 to review the Investment Strategy Statement be set to an April 2018 deadline. It was understood that action 6.8 was soon to be completed as the tPR checklist on publishing scheme information would be included in the Fund's Annual Report.

Resolved:

To confirm the minutes of the meeting held on 6 April 2017.

To note the action log and to update actions 6.21, 8.12 and 6.8 as detailed above.

30 Declarations of Interest

There were no declarations of interest.

31 Chairman's Announcements

The Chairman updated that himself and the Vice Chairman had recently attended a CIPFA conference at which there had been much discussion around new information from the Pensions Regulator and insurance indemnity for Board members. Advisers at the conference had recommended that funds purchase insurance for their Board members, since they were non-Council committees and therefore were not covered by their insurance policy. It was noted other Funds had not developed their Local Pension Boards and risk management to the same extent as Wiltshire.

Resolved:

To note the update from the Chairman.

32 Public Participation and Councillors Questions

There were no members of the public present.

33 Election of the Vice-Chairman

Nominations were sought for the position of Vice Chairman, the Vice Chairmanship of the Board was to alternate each year between the employer and scheme member representatives.

Resolved:

To appoint Mike Pankiewicz as Vice Chairman for 2017-18.

34 Key Decisions of the Wiltshire Pension Fund Committee

The Head of Pensions updated on the key decisions from the Wiltshire Pension Fund Committee held in June; the Committee had agreed the legal documentation for Brunel Pension Partnership and agreed to its Admitted Body Status in the Wiltshire Pension Fund. A further update was to be provided under Part 2 of the agenda.

Resolved:

To note the update from the Wiltshire Pension Fund Committee.

35 Training Item- Complaints and Dispute Handling

The Fund's Benefits Manager provided a training session on complaints and dispute handling within the Fund. It was explained that once a dispute was raised with the Fund, officers would try to resolve this, if the matter couldn't be resolved it would be referred to an independent adjudicator, and following that to the Associate Director for Finance with support from Hymans Robertson. Should a dispute progress pass these stages, the final stages were referral to the Ombudsman and then the courts. The Fund's complaints process was similar in that officers would initially try and resolve complaints, they would then be referred to the Head of Pensions, following that to independent complaints officers at Wiltshire Council, and then to the Ombudsman. Following both disputes and complaints, the Fund would always analyse the events to see where lessons could be learnt to prevent similar issues in the future.

Details were provided as to when the Fund would consider making Distress and Inconvenience payments, it was highlighted this was recompense when the Fund recognised it had made an error. Members heard that employers were required to provide details of the adjudicators they used in disputes, the Fund had requested these details and recently provided employers with further guidance, particularly in respect of ill health retirement cases. Approximately 30 employers had submitted details of their adjudicators to date

In response to questions it was confirmed what over the last 3 years, only 6 disputes had reached stage 1, and 2 at stage 2, none had gone to the Ombudsman, no complaints had progressed to independent review.

Resolved:

To thank Craig Payne for the informative training session.

36 Scheme, Legal, Regulatory and Fund update

The Head of Pensions provided Board members an update on Fund, Scheme, Legal and Regulatory matters.

A key update included a recent High Court decision which ruled that Government guidance that funds should not pursue policies contrary to UK defence or foreign policy was unlawful. The ruling would impact on guidance for preparing an Investment Strategy Statement. The implication of the Markets in Financial Instruments Directive II (MiFid II) consultation paper was discussed, the Fund had responded to the consultation and an update on the matter would be brought to the next meeting. The Board also heard that PwC had produced a

report 'Options for Academies in the LGPS', which highlighted issues experienced by stakeholders, recommendations on the matter would be progressed by the Scheme Advisory Board (SAB). In respect of the Wiltshire Pension Fund, it was heard that officers were in the process of introducing an ill-health liability insurance for scheme employers, this was to be available from August 2017.

Resolved:

To note the Fund, Scheme, Legal and Regulatory update.

37 **Risk Register Update**

The Board was presented with the latest Risk Register for the Fund. PEN011 'Lack of expertise of Pension Fund Officers & PEN012 'Over-reliance on key officers' had been raised to a red risk, despite mitigation action, as the Strategic Pension Manager had resigned, meaning a considerable loss of expertise. Two further resignations had recently been received at the administrator level. The Pension team roles were being considered for realignment as a result of this change and also the development of Brunel Pension Partnership.

PEN026 'Impact of MiFid II Regulations' had been added as a risk to reflect current concerns over the implementation of the regulations which would mean the Fund would be classified as a 'retail' investor. PEN 020 'Pooling of LGPS assets' remained a red risk due to the significant resource required by officers to progress the project to implementation stage.

Members discussed the staff turnover at the Fund, it was acknowledged that at present turnover was high, however staffing had been stable for a long time prior to this. Officers considered the recent changes were due to an increase in the scale and complexity of the work staff were required to undertake and the difficulty the Fund had in matching salaries offered in the private sector. The Board recommended administrative support for the Fund remain in house and the Fund should review staffing to ensure it firstly supported the statutory requirements of the Fund. It was acknowledged that poor performance in meeting statutory obligations could lead to complaints/disputes and thus further cost and resource pressures on the Fund.

Resolved:

To note the Risk Register and recommend that the Fund review resource allocated to fulfilling its statutory requirements.

38 **Review of the Wiltshire Pension Fund Statement of Accounts**

The Strategic Pension Manager introduced the Fund's Statement of Accounts for 2016-17 which would form part of the Annual Report and also Wiltshire Council's accounts. The Chairman recommended that wording in the Statement

of Accounts be amended to reflect the remit of the Board to provide advice and support to the administering authority. It was also noted that section 17 of the report referred to Related Party Disclosures and recommended the Fund look into the new requirement to disclose the names of key management personnel. The Strategic Pension Manager advised these changes would be made to future reports.

Resolved:

To note the Wiltshire Pension Fund Statement of Accounts.

To recommend future reports contain the details of key management personnel and wording describing the role of the Local Pension Board be amended as detailed above.

39 **Internal Audit**

A summary of the Internal Audit Report was provided; the report had given the Fund a 'reasonable assurance' rating with only two medium priority recommendations in respect of GMP, Altair and payroll reconciliations.

Members noted the risks identified by the audit were the same as in the previous year and recommended resource be invested to ensure they be addressed. The Head of Pensions advised he had two staff working on reconciliations and an update on progress would be provided to a future meeting. It was explained that employers paid for reconciliation work through their contribution rates and the Fund did this in-house to reduce costs. The Chairman also recommended resource be directed to ensure the Fund's compliance with the General Data Protection Regulation which was to come into force in 2018. Officers noted data management was an important issue and would bring a report on data management to a future meeting. The Head of Pensions advised he would report on the implementation of audit recommendations in 6 months' time, the auditor would also monitor this.

Resolved:

To note the Internal Audit report and recommend that resource be directed to address the risks in respect of reconciliations and data management.

40 **Feedback from the Wiltshire Pension Fund Annual General Meeting**

The Head of Pensions presented feedback on the Fund's first AGM which had been held on 21 June 2017. The officer advised that an AGM was an opportunity to improve communication with members and was recommended by CIPFA. The attendance from the first AGM had been 25, with a mixture of employer and scheme members present. It was considered the first AGM had been a successful event.

The AGM had included presentations from officers, the Actuary, Mercer, Baillie Gifford and had featured an open forum for members to ask questions. Feedback from the event had been very positive, a priority for next year was to work on the balance between items of interest for employers and scheme members. The Board supported the idea of holding the 2018 AGM in September/October, inline with the finalisation of the Annual Report. It was also suggested thought be given to whether to split the AGM into two halves, one for employers, one for members.

Resolved:

To note the update from the AGM and support a move to hold this later in the year to coincide with the publication of the Annual Report.

To recommend officers review the format of the AGM in response to the needs of employers and scheme members.

41 Review of Governance Compliance Statement

Members were presented with the Fund's Governance Compliance Statement which set out the delegations from Wiltshire Council around the operation of the Fund. Officers advised the details of the Local Pension Board would be included as an appendix. The Chairman advised the DCLG guidance referenced in the Governance Compliance Statement was out of date and DCLG would need to renew this.

Resolved:

To note the Governance Compliance Statement.

42 Local Pension Board Annual Report and Benchmarking

The Head of Pensions presented the LPB Annual Report and results of benchmarking undertaken to compare the report to that of other Funds. The Board was advised there were very limited LPB Annual Reports in the South West, and where reports existed nationally they had varying degrees of content. It was considered that Wiltshire's Board had the most full and comprehensive report in comparison to others. Members considered that the Board had made material recommendations to the Fund over the last 12 months and was now well established.

It was recommended the Annual Report include a 'RAG status' or similar means to indicate where Board recommendations had been implemented, likewise to track compliance with the Pensions Regulator Code of Practice. The Head of Pensions advised that the tPR checklist of compliance would be included.

It was commented that the Board's response to the SAB survey on the operation of Local Pension Boards should make reference to the benchmarking of annual reports and that the Fund could explore the idea of regional LPB reports.

Resolved:

To note the Annual Report and to delegate authority to officers, in consultation with the Chairman, to amend the document to track tPR compliance and the implementation of Board recommendations.

43 **The Pensions Regulator Code of Practice 14 Survey Results**

The summary results of the Pensions Regulator's survey were presented and it was considered the Fund has responded positively and ensured improvement plans were in place. Currently the Fund was investigating software through which data submitted by employers would be reviewed before submission to the Fund to ensure only quality data was included.

Members made the point that summary results did not allow for differentiation between LGPS and national schemes, and some of the questions had been unclear which could have affected the results.

Resolved:

To note the results of the Pensions Regulator Code of Practice 14 Survey.

44 **Proposed Response to Scheme Advisory Board Local Pension Board Survey**

The Chairman presented a proposed response from the Board to the SAB's survey on the operation of Local Pension Boards nationally. Members were in agreement with the Chairman's proposal and recommended that comments requesting more collaboration and benchmarking between Boards be included.

The outcome of the SAB survey would be reported to a future meeting.

Resolved:

To agree the proposed response to the survey, with the addition of comments to support more collaboration and benchmarking between Boards.

45 **Review of Wiltshire Pension Fund Website**

At its last meeting, the Board had received a presentation on the Fund's website by the Communications Manager. The Chairman invited members to submit feedback on the site before the next meeting in October.

Resolved:

To request that members submit their feedback on the Wiltshire Pension Fund website prior to the October Local Pension Board meeting.

46 Implementation of Costs Transparency

The Strategic Pension Manager explained that recent SAB Guidance and CIPFA Accounting Standards recommended investment managers disclose their fees to allow for transparency and consistency in the industry. The disclosure was entirely voluntary, however that it would hopefully promote a culture change in the market, 3 of the Fund's managers had signed up to the Code. The Chairman of the SAB was promoting this new standard for funds to adopt as a policy.

The Board expressed support for costs transparency and recommended it be factored into Wiltshire Pension Fund and Brunel Pension Partnership manager appointments.

Resolved:

To note the update on the implementation of costs transparency and recommend it be factored into the Wiltshire Pension Fund and Brunel Pension Partnership manager appointment process.

47 How did the Board do?

The Chairman led a discussion on the operation of the Board and current workplan. The merits of reducing the number of meetings was discussed and it was agreed that, where possible, reports should come to the Board in advance of the Committee to allow the LPB to input into reports and for their recommendations to be considered by the Committee. It was considered the Risk Register should continue to be reviewed quarterly and that training items were important to maintain. It was noted that the outcome of the SAB survey may highlight issues to be reviewed.

Resolved:

To review the timetabling and work plan of Board meetings following consideration of the SAB survey results.

48 Urgent items

There were no urgent items.

49 **Date of next meeting and forward plan**

The next meeting was to be held on 18 October.

In light of the discussion about the Board's workload it was agreed that an item on external audit was not required at the next meeting.

Resolved:

To remove the item on external audit from the work plan for the next meeting.

50 **Exclusion of the Public**

To consider passing the following resolution:

That in accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public from the meeting for the business specified in Minute numbers 51- 54 because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraph 3 of Part I of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.

51 **Local Pension Board Insurance Indemnity**

The Head of Pensions presented proposals for an insurance indemnity policy for the Local Pension Board.

Resolved:

To approve the purchase of an insurance indemnity policy for the Board for the minimum amount (£1m) at the least cost, and to review the issue in 12 months.

52 **Brunel Pension Partnership and Investment Pooling**

The Head of Pensions provided an update on the establishment of Brunel Pension Partnership.

Resolved:

To note the update on the progression of Brunel Pension Partnership.

53 Key Decisions of the Wiltshire Pension Fund Committee and Investment Sub Committee

There were no further confidential updates arising from the recent Wiltshire Pension Fund Committee and Investment Sub-Committee meetings.

54 Minutes

Resolved:

To confirm the Part 2 minutes of the meeting held on 6 April 2017.

(Duration of meeting: 10.30 am - 1.10 pm)

The Officer who has produced these minutes is Libby Johnstone, of Democratic Services, direct line 01225 718214, e-mail libby.johnstone@wiltshire.gov.uk

Press enquiries to Communications, direct line (01225) 713114/713115

Local Pension Board Action log

A full action-tracker showing complete and pending items is included to monitor progress from the last 3 Board meetings. Actions identified prior to this are include only where they remain outstanding. Actions in bold denote where the action is a formal recommendation of the Board.

	Action	Who	Deadline	Completed
	January 2016			
3.5	To recommend that officers communicate the implications of the public sector exit cap to the Fund's members once known	DA	December 2017	
3.10	Board members to complete the tPR on-line toolkit within 12 months of appointment	DA	July 2016	
3.12	To recommend that officers review the charge-out rate for the calculation of costs from persistent failure to meet targets or resolve cases to ensure it is in line with other Funds.	DA	September 2018	
	April 2016			
4.7	To endorse the Governance Compliance statement and recommend that lay membership and voting rights be reviewed following the proposed asset pooling as part of the compliance process and pooling arrangements.	DA	April 2017	
	July 2016			
5.12	To request that a benchmarking exercise of LPB annual reports be undertaken in comparison with other Boards in early 2017.	DA	January-April 2017	

	October 2016			
6.8	To request that the tPR checklist on publishing scheme information is used for the next Annual Report.	DA	September 2017	
6.18	That Board members complete the Pensions Regulator toolkit before the end of 2016 and update the Head of Pensions accordingly.	Board	December 2016	
	January 2017			
7.1	Cut down action-tracker to include complete and pending items for the last 3 Board meetings only. Actions identified prior to this to be included only where they remain outstanding.	LB	April 2017	
7.2	Officers to re-grade an assessment of Wiltshire Pension Fund Committee performance to medium priority on the Business Plan.	DA	March 2017	
7.3	To make agreed amendments to the minutes of the meeting held on 20 October 2016.	LB	ASAP	
7.4	To request that a proposal for a commercial indemnity insurance be presented to the next meeting in the event that the Fund has not heard back from the Scheme Advisory Board. To request that this report also incorporates research from other Funds as to whether they have, or are purchasing, a commercial policy.	DA	April 2017	
7.5	To note the update and request that the statement in response to public statements on fossil fuel divestments be published.	LB	ASAP	
7.6	To circulate the response to public questions on fossil fuels to members.	LB	ASAP	

7.7	To recommend that items on the consultation update are colour-categorised to correspond with the Wiltshire Pension Fund Risk Register.	DA	April 2017	
7.8	To recommend that the Pensions Regulator toolkit on data management be added to the regulatory update.	DA	April 2017	
7.9	To recommend to officers that the update on Scheme, Regulatory, Legal and Fund matters is also presented to meetings of the Wiltshire Pension Fund Committee.	DA	Ongoing	
7.10	Members to review their Register of Interest and notify the Board Secretary of any changes required.	Board	April 2017	
7.11	To circulate the tPR data management toolkit and organise training on data management.	DA	April 2017	
7.12	To recommend that the risk of reduced resource in the Accountancy team be added to the Risk Register, due to the potential impact on the production of the accounts by June 2017.	CD	April 2017	
7.13	To request that an update on actions arising from the Audit be provided to the next meeting.	DA/SWAP	April 2017	
7.14	To request that an example of tracking late contributions be brought to the October meeting.	DA	October 2017	
7.15	To request that SWAP benchmark the fund against other similar funds in a future audit report.	DA/SWAP	January 2018	
7.16	To request that training attended by members in their capacity as employer members also be included in the training log.	DA	ASAP	
7.17	To recommend that officers investigate potential training to be provided by Investec.	DA	ASAP	
7.18	To request that when training events are offered to members, these are accompanied with a priority recommendation by officers.	EK	ASAP	
7.19	To request that Local Pension Board members be invited to the Brunel Pension Partnership engagement event, employer member events, and recommend that if feasible a networking session for Local Pension Boards within Brunel be organised	DA	ASAP	

7.20	To request that a benchmarking exercise is undertaken against the training undertaken by Board members of other Funds.	LB	ASAP	
7.21	Investment Strategy Statement to be circulated to Board members for their input over email.	DA	March 2017	
7.22	To recommend the draft budget for the Board to the Wiltshire Pension Board and recommend that the Committee delegate authority to the Treasurer of the Fund to authorise expenditure in addition to the agreed budget and between budget headings if required between meetings of the Committee, subject to ratification at the next available meeting.	DA	March 2017	
7.23	To note the updated position from the Business Plan to date and to recommend that officers review 'low priority' actions to evaluate if they should be either de-prioritise or upgraded to a higher priority level, and establish a process by which the Committee reconsiders deadlines for actions where they are not addressed within 12 months.	DA	ASAP	
7.24	Officers to confirm details of the 'other work' that contributed to the total figure for the administration cost of the LGPS in the CIPFA benchmarking report.	RV	April 2017	
7.25	Officers to circulate the PowerPoint presentation on Brunel.	DA	ASAP	
	April 2017			
8.1	Re-classify action 3.5 in respect of the public sector exit cap to end of 2017.	LB	July 2017	
8.2	To circulate SAB Chair's statement on investment pooling.	DA	ASAP	
8.3	To recommend that officers monitor Ministerial, national LGPS Scheme Advisory Board (SAB) and Pensions Regulator statements and include this in updates to the Board when appropriate.	DA	Ongoing	
8.4	To request that officers establish who the named Data Protection Officer is	DA	July 2017	

	for the Wiltshire Pension Fund.			
8.5	To note that a report on data protection and quality standards would be presented to a future meeting and request this report include key risks for data management.	DA	January 2018	
8.6	To note the proposed KPIs for measuring the summary of the Fund's performance against key performance indicators and to request that statutory timeframes for administration processes are factored into the KPIs.	DA	September 2017	
8.7	To recommend that once the KPI process is established it is developed to allow comparisons to be made against other Funds and to identify the administration costs associated with each process.	DA	April 2018	
8.8	To recommend that consideration is given in the future to developing a graduate recruitment programme for the Fund.	DA	April 2018	
8.9	To provide feedback from the Fund's AGM.	DA	July 2017	
8.10	To recommend the complaint form for internal disputes be amended to clarify applicability in respect of spouses and co-habiting partners.	DA	ASAP	
8.11	To defer the decision on insurance indemnity to the next meeting to allow for consultation with other Funds within Brunel Pension Partnership.	DA	July 2017	
8.12	To note the Investment Strategy Statement and associated future review process in 12-18 months time in light of asset pooling.	DA	April 2018	
8.13	To note the update on the progress of Brunel Pension Partnership and request a future briefing on the fund's revised governance structures in light of asset pooling.	DA	July 2017	

	July 2017			
9.1	Officers to circulate the Pensions Regulator toolkit to Cllr Britton	CD	ASAP	
9.2	Officers to include details of the LPB as an appendix to the Governance Compliance Statement.	DA	ASAP	
9.3	Officers to reduce the MiFidII risk to amber on RAG status.	DA	ASAP	
9.4	To update actions 6.21, 6.8 and 8.12 on the action log.	LJ	October 2017	
9.5	To recommend the Fund reviews resource allocated to fulfilling its statutory requirements.	DA	Ongoing	
9.6	To recommend future SoA reports contain the details of key management personnel and wording describing the role of the Local Pension Board be amended to reflect that it provides advice and support to the administering authority.	CD	July 2018	
9.7	To recommend that resource be directed to address risks identified in the internal audit report in respect of reconciliations and data management.	DA	January 2018	
9.8	To support plans for future AGMs to coincide with the publication of the Annual Report and recommend officers review the format in response to the needs of employers and scheme members.	DA	September 2018	
9.9	To delegate authority to officers, in consultation with the Chairman, to amend the LPB Annual report to track tPR checklist compliance and the implementation of Board recommendations using a RAG status.	DA	ASAP	
9.10	To add additional comments to the draft SAB survey response to support more collaboration and benchmarking between Boards.	Chairman	ASAP	
9.11	Members to feedback comments on the Fund's website prior to the next	Board	October 2017	

	meeting.			
9.12	To recommend costs transparency be factored into the Wiltshire Pension Fund and Brunel Pension Partnership manager appointment process.	DA	September 2017	
9.13	To review the timetabling and work plan of Board meetings following consideration of the SAB survey results.	DA	October 2017	
9.14	To remove the item on external audit from the Work Plan for the October meeting.	DA	October 2017	
9.15	To approve the purchase of an insurance indemnity policy for the Board for the minimum amount (£1m) at the least cost, and to review the issue in 12 months.	DA	ASAP	
9.16	Officers to include Disputes and Complaints training material in Members' Handbook.	CP	ASAP	

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WILTSHIRE PENSION FUND COMMITTEE

PART 1 MINUTES OF THE WILTSHIRE PENSION FUND COMMITTEE MEETING HELD ON 27 SEPTEMBER 2017 AT THE WEST WILTSHIRE ROOM - COUNTY HALL, TROWBRIDGE BA14 8JN.

Present:

Cllr Steve Allsopp, Cllr Tony Deane (Chairman), Diane Hall, Cllr Simon Jacobs,
Cllr Gordon King, Cllr Christopher Newbury, Linda Stuart and Cllr Roy While (Vice Chairman)

Also Present:

Mr Jim Edney, Howard Pearce, Barry Reed and Cllr Philip Whitehead

48 Membership

The Chairman welcomed Diane Hall, Employer Body Representative, back to the Committee after a sabbatical year.

49 Attendance of non-members of the Committee

Howard Pearce and Barry Reed, Local Pension Board, were in attendance.

Philip Whitehead, Cabinet Member for Finance, was also in attendance.

50 Apologies for Absence

Apologies for absence were received from Mike Pankiewicz and Cllr Steve Weisinger.

51 Minutes

Resolved:

To confirm the Part 1 minutes of the meeting held on 28 June 2017.

52 Declarations of Interest

David Anthony, Head of Pensions, made a declaration in respect of the agenda item on Brunel Pension Partnership as he had been appointed to a role within

the company and was to leave his role at the Wiltshire Pension Fund at the end of November.

53 **Chairman's Announcements**

The Chairman reminded members to make every effort to attend the Fund's Investment Away Day on 1 November, when there would be further opportunity to discuss Liability Driven Investments.

54 **Public Participation**

There were no members of the public present.

55 **Scheme Regulatory and Legal Update**

The Head of Pensions provided an update on the latest regulatory and legal updates for the LGPS. A key update from HM Treasury was that Government intended to bring forward legislation banning cold calling in relation to pensions. Additionally, a further consultation was planned on the implications of reform to public sector exit payments, such changes would have implications on the Fund and its members.

Attention was drawn to two updates which carried high risk for the Fund. The first was the implementation of the General Data Protection Regulations (GDPR) from May 2018 as this would have significant impact on the Fund's data management processes, the Fund was already preparing for the new regulations, however this required significant resource. In response to questions, it was confirmed the Fund was investigating whether it required an individual DPO or could share one with Wiltshire Council. It was noted that, if needed, the Fund could bring in external advice on GDPR to assist the team and also collaborate with other Funds within Brunel Pension Partnership (BPP) to share best practice. A second key risk was the requirement on the Fund to opt up to Professional investor status under MiFid II to allow it retain its current holdings from January 2018.

Finally, members heard from August the Fund had launched ill-health liability insurance for most scheme employers, it was mostly only large employers which had opted out.

Resolved:

To note the regulatory and legal update and the changes highlighted in the report.

56 **Local Pension Board Annual Report and Update**

A report presented the LPB Annual Report for Committee consideration. The Chairman of the Board summarised the role of the Board and advised there had

been no reportable regulatory breaches over the last 12 months. The Fund was compliant with the Pensions Regulator (tPR) Code of Practice, although some actions for improvement had been identified, and it was noted the Pensions Regulator recently had more resource to monitor compliance. The Chairman also highlighted that the role of the LPB was being reviewed and the Fund awaited the responses from the Scheme Advisory Board as to how the Boards were functioning nationally since they had now been in place for two years.

Members of the Committee commended officers on the quality of the report and were keen to hear the results of the LPB survey to explore where the Board could add value to the work of the Fund.

Resolved:

To note the minutes and key decisions of the Local Pension Board meeting held on 13 July 2017.

To note the LPB Annual Report and approve its publication.

57 **External Audit Report**

The Head of Pensions presented KPMG's final audit report, for which a certificate of assurance had now been provided and would be included in the Fund's Annual Report. There were no significant issues arising from the external audit. Following a question from the Committee, it was confirmed the internal audit report addressed the issue of GMP reconciliations between Altair and SAP.

The Committee discussed the appointment of the external auditor and their fee basis. The Treasurer advised that external auditors were now appointed on a national basis and therefore KMPG would not be the auditor for the next year, this process should also see a reduction in fee basis.

Resolved:

To note KPMG's final audit report on the 2016-17 Annual Report

58 **Annual Report 2016-17**

The Fund's Annual Report was presented for the Committee's consideration and it was highlighted this would include the external audit certificate.

The Committee and LPB representatives were pleased with the quality and accessibility of the report; it was noted the report was available in hard copy to stakeholders upon request.

A question was raised over the employer contribution rates identified in the Annual Report and officers advised these had increased following each triennial

Valuation and future rates would increase in line with the 2016 Actuarial Valuation.

Resolved:

To approve the draft Annual Report for 2016-17.

59 **Budget Monitoring 2017-18 Report**

A report on the latest budget monitoring position for the Fund was circulated for members' information. The report separated the investment manager fees and operational costs of the Fund and identified the Fund was currently £111k underspent. The Fund had an underspend on custodian costs of £89k as a result of increased income from the security lending programme and had saved money on the administration side by pushing back progress of the employer self-service system. It was stressed the self-service system was a priority for the next 12 months.

Members noted a significant performance fee paid to Baillie Gifford, this was because the manager had performed well beyond their benchmark and the rest of the market.

Resolved:

To note the latest budget monitoring position for the Wiltshire Pension Fund.

60 **Key Performance Indicators**

The Head of Pensions provided an update on performance against the Fund's Administration Key Performance Indicators which had previously been agreed by Committee and would be reported on bi-annually. In future, KPIs would also be developed to monitor the performance of employer members, both in terms of their payment of contribution rates and providing quality to the Fund by employer bodies.

Members considered the report contained useful information, however highlighted the capacity issues for the Pensions team which was operating on reduced resource. In response to a question on the uneven distribution of pension leavers to deferred status, it was confirmed this was likely due to delays in getting information in from employers.

Resolved:

To note the Fund's performance against its key performance indicators.

61 **Pension Fund Risk Register**

The Head of Pensions introduced the Fund's latest Risk Register for the Committee to consider. Two risks had risen since the last report: PEN009 'Failure to Hold Personal Data Securely' and 'PEN023 Resources of Officers and Members to Meet the Expansion of Business Items'. Current staffing levels mean 'PEN011: Lack of expertise of Pension Fund Officers', 'PEN012: Over-reliance on key officers' and 'PEN020 Pooling of LGPS assets' remained red risk.

The Treasurer highlighted the key issue behind all of these risks was limited resource due to recent staff departures and the imminent departure of the Head of Pensions. It was however considered the mobility of staff into new private sector jobs reflected well on the Fund. The Treasurer advised the demands of the role of Head of Pensions had increased significantly in recent years and proposed the team be restructured to be led by a Head of Administration to manage the Fund's increasing administration requirements and a Head of Investments to performance manage Brunel. The Committee heard there would also be some changes to increase capacity to lower level staffing with a total cost of a further £195k to the Fund.

Following questions from the Committee it was clarified the new roles would be out to advertise shortly with a view to holding interviews at the start of November to allow a handover period before the current Head of Pensions left his role. Committee meeting dates had also been altered to allow the Committee to meet before the end of November supported by the Head of Pensions, and the Treasurer confirmed an interim arrangement could be made if necessary should suitable candidates not apply for the new roles. Members agreed it was important to advertise roles at the market rate to attract the right candidates to these specialist roles, and were supportive of the need for two roles at the top tier of the structure to allow the Fund to focus more on administration as this matter had tended to be a lower priority whilst the Fund was focusing on asset pooling.

It was commented that with the number of employers in the Fund growing and LGPS regulations increasing the Fund needed to allow more resource to managing administration. Members also agreed both the Head of Administration and Head of Investment should have experience in both areas of business so as to allow a strategic overview and resilience in the team. The Chairman highlighted it was important at this time that members support officers and keep abreast of latest updates to ensure they could steer the Fund through this transition. It was considered that Committee members should play a role in the interview process and they were invited to submit their availability for interview dates.

Both the Treasurer and the Committee expressed their thanks to the Head of Pensions for his excellent work and dedication to improve the performance of the Fund during his time in the role.

Resolved:

To note the Risk Register and measures being taken to mitigate risks.

To support the proposed structural changes and additional budget to address resource issues.

To thank the Head of Pensions for his excellent work supporting the Fund and improving performance during his time in the role.

62 **MiFid 2 Election to Professional Status**

A report from the Head of Pensions recommended the Committee resolve to seek professional investor status for its investments ahead of the implementation of MiFiD 2 in January 2018. Templates were available for LGPS funds to apply for professional status and the Fund also had to demonstrate it could meet certain requirements.

Resolved:

a) Note the potential impact on investment strategy of becoming a retail client with effect from 3 January 2018.

b) Agree to the immediate commencement of applications for elected professional client status with all relevant institutions in order to ensure it can continue to implement an effective investment strategy.

c) In electing for professional client status, the committee acknowledges and agrees to forgo the protections available to retail clients as detailed in APPENDIX 1 on attached link <http://www.lgpsboard.org/index.php/opting-up-process>

d) Agree to approve delegated retrospective responsibility to Head of Pensions for the purposes of completing the applications and determining the basis of the application as either full or single service.

63 **Date of Next Meeting**

It was noted the next regular meeting of the Committee was to be held on 23 November 2017, brought forward from 7 December 2017.

Resolved:

To note the change to the next meeting date.

64 **Urgent Items**

There were no urgent items.

65 **Exclusion of the Public**

Resolved:

To agree that in accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public from the meeting for the business specified in Minute Numbers 66-70 because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraphs 1 & 3 of Part I of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.

66 **Brunel Pension Partnership Update**

A verbal update was provided by the Head of Pensions on the progress of the Brunel Pension Partnership for the pooling of Local Government Pension Scheme assets.

Resolved:

To note the update on the progress of Brunel Pension Partnership.

67 **Investment Strategy Update**

Confidential papers outlined the high-level asset allocation review undertaken by Mercers and outline the proposed focus for the next 12 months as proposed by the Investment Sub Committee.

Resolved:

To agree proposals from the Investment Sub Committee as to the Fund's investment strategy for the next 12 months.

68 **Investments Quarterly Progress Report**

Three confidential reports were circulated updating the Committee on the performance of the Fund's investments as to the end of June 2017.

Resolved:

To note the reports on the performance of the Fund's investments as to the end of June 2017.

69 **Minutes and Key Decisions of the Investment Sub-Committee**

Committee was asked to consider the minutes and key decisions of the Investment Sub Committee meeting held on 13 September 2017.

Resolved:

To note the key decisions of the Investment Sub Committee held on 13 September 2017.

70 **Minutes**

Resolved:

To confirm the Part 2 minutes of the meeting held on 28 June 2017.

(Duration of meeting: 10.30 am - 12.30 pm)

The Officer who has produced these minutes is Libby Johnstone, of Democratic Services, direct line 01225 718214, e-mail libby.johnstone@wiltshire.gov.uk

Press enquiries to Communications, direct line (01225) 713114/713115

WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD
18 October 2017

Pension Fund Anti Fraud Policy Update

Purpose of the Report

1. Ensuring the Fund has appropriate anti-fraud and corruption policies in place is a key component of the sound administration of the LGPS in Wiltshire. The purpose of this report is to explain the current safeguards that are in place and available to officers, the Pension Committee and the Pension Board to identify and manage fraud in the Wiltshire Pension Fund.

Background

2. Like other local authority LGPS administering authorities Wiltshire Pension Fund has not implemented its own bespoke anti-fraud policy. Rather it is covered by the overriding Wiltshire Council Anti Fraud and Corruption Strategy that was implemented from May 2014.
3. This Strategy defines the Council's approach to managing the risk of fraud and corruption and ensuring best practice is embedded across all Council service areas. It seeks to reinforce a zero tolerance to fraud, encourage prevention through proactive measures to detection fraud and confirms the Council's commitment to using legal and disciplinary measures where necessary.
4. Additionally the Strategy reiterates the framework and controls already in place across the Council and which would apply to the Fund, including:
 - The Council Constitution and Financial Regulations;
 - Standards Committee;
 - Scheme of Delegation;
 - Registers of Interests;
 - Anti money laundering policy;
 - Whistle Blowing policy;
 - IT Security policy;
 - HR policies.
5. While all of the above Council policies and strategies apply to the Fund it also has a number of additional Fund specific safeguards in place to tackle fraud and these are summarised below.

Fraud detection and prevention in the Wiltshire Fund

6. The LGPS Regulations require the Fund to have certain policies in place, while others are adopted on the basis of best practice. While some will have specific anti-fraud elements included within them others will form part of an overarching approach to sound working practices which contribute to fraud detection and prevention. In addition the Fund undertakes a number of regular tasks which are specifically aimed at identifying and preventing fraud.
7. The key tools used by the Fund to combat fraud and corruption include:

- **Governance Compliance Statement** – required by the LGPS Regulations, setting out amongst other things the extent to which any element of the administering authority functions are delegated to a committee, sub-committee or officer of the Council. Where delegations exist the Statement is also required to set out their terms of reference and operational procedures.
- **Scheme of Delegation** – This sets out the specific delegations that have been passed to the pension committee and officers, including authority to write off pension overpayments where they arise.
- **Breaches of the law policy** – [Pensions Regulator Code of Practice 14](#) sets out the framework for governance and administration of all public service pension schemes, including the duty for administering authorities, amongst others, to have procedures in place to identify, record and where necessary report any breach of the law (e.g. fraudulent behaviour by scheme members, employers, etc.). In order to address this the Fund has adopted a formal breaches of the law policy, setting out the roles and responsibilities of elected members, pension board members and officers where any breach of the law is suspected. Additionally this policy also covers the specific safeguards where whistleblowing may occur, which sits alongside the Council's overarching whistleblowing policy.
- **Mortality screening/National Fraud Initiative** – The Fund participates in the biennial national fraud initiative exercise run by the National Audit Commission. This involves comparing our deferred and pensioner records with the Department of Work and Pensions database, highlighting and cases that warrant further investigation.

Additionally the Fund undertakes regular mortality screening exercises against our pensioner records to compliment the NFI exercise. We have contracted with a tracing agency Target, who undertake these exercises on the Fund's behalf (along with our regular tracing exercises where we are looking to trace deferred or pensioner members).

We also participate in the Tell Us Once (TWO) initiative introduced by the Department of Work and Pensions. TWO allows the bereaved person to inform central and local government services of the death of a relative at one time, rather than having to write, telephone or even attend each service individually. From the Fund's perspective it enables it to identify deaths of scheme members more quickly than might have been the case and prevent any payments continuing or being made in error. The Fund accesses TWO on a weekly basis, to identify any scheme member deaths which had not already been notified to it directly via another source.

- **Internal controls** – the Fund, as part of the Council, has a number of internal controls in place covering the roles and responsibilities of the Committee, officers and the wider administration team in carrying out the day-to-day functions of the scheme.
- **Overpayments policy** – during the normal course of events overpayments of pension can occur and in the majority of cases this can be shown to be purely innocent. Cases of fraud can, however, be identified in the course of our investigations. The Fund is developing a formal pension overpayment policy, setting out its approach to dealing with the recovery or possible write off of any overpayments identified, either as a consequence of the national fraud initiative or our mortality screening exercises or as a part of normal day-to-day activities.
- **Contribution Framework** – this has recently been developed and rolled out to scheme employers. It seeks to ensure all Fund employers understand their responsibilities to pay over employee and employer contributions within the statutory deadlines, the processes the Fund has put in place to monitor returns on a monthly basis, the steps the Fund will take where persistent failure occurs and the sanctions that can apply where it has been necessary to report an employer to the Pensions Regulator.

- **Risk Register** – The Fund has developed a comprehensive risk register covering all aspects of its management and administration, including the potential for fraud to occur. This document is kept under regular review, being updated to reflect new risks that have been identified or reflect any changes that have resulted where fraud has been identified and resolved.
 - **Administration Strategy** – this sets out the respective responsibilities of both the administering authority and scheme members in relation to the day to day administration of the Wiltshire Fund. This includes respective service standards as well as the steps the Fund can take where poor performance of an employer is directly impacting administration, be that fraudulent or not.
 - **Internal and external audit** – the fund is subject to regular internal and external audits. Audits would consider the adequacy of areas such as contributions, benefits in payment, investments, core financial systems, risk management, governance arrangements and compliance with the Pensions Regulators code of practice 14. Such exercises are primarily to consider the controls the Fund has in place, provide assurance to the Committee, pension board and officers that they are appropriate and where necessary make recommendations to strengthen them where any weaknesses have been identified.
8. Responsibility for identifying potential fraud rest with all staff members engaged in the management and administration of the Fund, as well as members of the Pension Committee and Pension Board. Where necessary any escalation will be in accordance with the Council’s Anti Fraud and Corruption Strategy.
9. As well as having its own processes in place the Fund will also seek to ensure all providers and third parties it engages with have adequate anti-fraud and corruption policies in place and can evidence this to the Fund.

Environmental Impact of the Proposal

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

11. There are no known implications at this time.

Financial Considerations & Risk Assessment

12. There is no financial consideration resulting from this proposal.

Proposals

13. The Board is asked to note the fraud detection and prevention safeguards currently utilised by the Fund and highlighted within this report.

MICHAEL HUDSON
Treasurer to the Pension Fund

Report Author: David Anthony, Head of Pensions

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

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WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD
18 October 2017

Scheme, Fund, Regulatory & Fund Update

Purpose of the Report

1. The purpose of this report is to highlight the latest legal, regulatory and Fund updates.

Background

2. The attached appendix outlined the current and recent scheme and regulatory changes. The purpose is to keep the Board abreast at a high level of the latest changes and developments involving the Local Government Pension Scheme.
3. The Head of Pensions will provide a verbal update on these changes at this meeting for discussion with the Committee.

Considerations for the Board

4. To note the discussions in relation to the latest scheme and regulatory updates as listed in the table in the appendix.

Environmental Impact of the Proposal

5. There is no known environmental impact of this proposal.

Safeguarding Considerations/Public Health Implications/Equalities Impact

6. There are no known implications at this time.

Financial Considerations & Risk Assessment

7. There is no financial consideration resulting from this proposal.

Proposals

8. The Board is asked to note the changes highlighted within this report.

MICHAEL HUDSON
Treasurer to the Pension Fund

Report Author: David Anthony, Head of Pensions

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

APPENDIX 1

Organisation	Subject	Link	Comments	Risk
HM Treasury	Pensions scams: consultation response	https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/638844/Pension_Scams_consultation_response.pdf	On 21 August 2017 the Government published its response to its consultation on pension scams issued in December 2016. As part of this response it has confirmed it intends to bring forward legislation banning cold calling in relation to pensions (to include texts and email) when Parliamentary time allows.	
	Indexation and equalisation of GMP in public service pension schemes	https://www.gov.uk/government/consultations/indexation-and-equalisation-of-gmp-in-public-service-pension-schemes	Although closed on 20 February 2017 we are still awaiting further comment from Government on how to address the implications of State Pension reforms for Guaranteed Minimum Pensions (GMP) of public servants below State Pension age. It is unclear when such clarification will be forthcoming.	
	Reforms to public sector exit payments: response to the consultation	https://www.gov.uk/government/consultations/further-consultation-on-limiting-public-sector-exit-payments	<p>The latest understanding is that a further consultation on the exit payment cap and exit payment recovery elements of the Government's reform of public sector exit payment provisions is expected in the 'autumn' of this year.</p> <p>There is no further update on the third element of the Government's reform package covering the wider rules on exit payment provisions. Thus, we still await detail from DCLG as to what this will mean for the local government sector.</p>	
HM Revenues & Customs	Revenue and Customs Brief 14 (2016): VAT, Deduction of VAT on pension fund management costs following Court of Justice of the European Union decision in PPG	https://www.gov.uk/government/publications/revenue-and-customs-brief-14-2016-vat-deduction-of-vat-on-pension-fund-management-costs-following-court-of-justice-of-the-european-union-decision	Changes to the reclamation of VAT on fund management costs may affect LGPS funds once pooling is in place. These changes were originally due with effect from 1st January 2017 but have now been pushed back to at least 1st January 2018. Project Brunel will be keeping an eye on how it is evolving and take appropriate advice.	
DCLG	Local government pension scheme statistics	https://www.gov.uk/government/collections/local-government-pension-scheme	This collection brings together all statistics on the local government pension scheme in England and Wales	
	LGPS Regulations: Best Value & Fair Deal consultation	https://www.gov.uk/government/consultations/local-government-pension-scheme-regulations	There has been no further movement with regard to the introduction of new Fair Deal into the LGPS since the last update. We still await the further consultation on how the changes to Fair Deal, introduced in 2013, will be applied across the	

Organisation	Subject	Link	Comments	Risk
			employers in the LGPS (excluding academies for whom the new Fair Deal applied with immediate effect).	
	Guidance on Preparing and Maintaining an Investment Strategy Statement' (ISS)	https://www.gov.uk/government/publications/local-government-pension-scheme-guidance-on-preparing-and-maintaining-an-investment-strategy-statement	<p>Following the High Court ruling on 23rd June that elements of the Governments Statutory Guidance on preparing and maintaining an Investment Strategy Statement was unlawful the Government subsequently published updated guidance removing the offending clauses - that funds should not pursue policies that are contrary to UK foreign policy or UK defence policy.</p> <p>The Government has been given leave to appeal the High Court decision, so further updates will be given once the outcome of any appeal is known.</p>	
The Pension Regulator (TPR)	Public Sector pensions website update	http://www.thepensionsregulator.gov.uk/public-service-schemes.aspx	The Regulator dedicated public sector web pages provides a wealth of information regarding its Code of Practice 14 and public service toolkit. The toolkit which provides a foundation to effective scheme governance and administration has been updated and additional guides and checklist have been published.	
	Annual survey of public sector schemes	http://www.thepensionsregulator.gov.uk/docs/public-service-research-2017.pdf	<p>Now that we have successfully completed the despatch of the 2017 annual benefit statements the Fund is able to turn its attention to the findings of the Regulator's 2016 annual survey results and any actions we require to implement relating to governance, internal controls, record keeping and member communication.</p> <p>We will be bringing forward recommendations for any changes required in the coming weeks and months.</p>	
	Record Keeping Guide	http://www.thepensionsregulator.gov.uk/docs/record-keeping-quick-guide.pdf	A quick guide designed to understand why record keeping is important and steps needed to take to ensure records are complete and accurate.	
	Self Assessment Tool for Public Service Pension Schemes	http://www.thepensionsregulator.gov.uk/docs/PS-assessment-tool.xls	The TPR toolkit for Funds to complete to check their own compliance with the Code of Practice is available for Committee and Pension Board members to use.	

Organisation	Subject	Link	Comments	Risk
Information Commissioners Office	General Data Protection Regulations (GDPR)	https://ico.org.uk/for-organisations/data-protection-reform/overview-of-the-gdpr/	<p>Comes into effect in May 2018 and replaces the Data Protection Act 1998. Introduces new obligations on data controllers. The Fund is both a data controller and a data processor and needs to ensure that it has appropriate processes in place in order to comply with the changes being introduced.</p> <p>Wiltshire Pension Fund is working closely with a group of LGPS Funds in developing project plans, template notifications and policies, together with all other necessary solutions required in order to successfully comply with GDPR by May 2018. We are also feeding the work undertaken with this group into Wiltshire Council's GDPR project team.</p>	
Government Actuaries Department (GAD)	No updates have been issued by GAD since the last Pension Board meeting			
Financial Conduct Authority (FCA)	CP16/29: Markets in Financial Instruments Directive II (MIFID2)	https://www.fca.org.uk/publications/consultation-papers/cp16-29-mifid-ii-implementation http://www.lgpsboard.org/index.php/schemedata/mifidii	<p>In early July, the FCA published their final policy statement on the implementation of the EU's Markets in Financial Instruments Directive II (MIFID2) from January 2018.</p> <p>Upon coming into force, MIFID2 will re-designate local authorities as 'retail' investors from their current status as 'professional' investors. The policy statement confirmed significant revisions to the criteria via which a local authority pension fund will be able to opt up to professional status and follows detailed discussions undertaken by the SABEW with the FCA.</p> <p>Further information on the implications of MIFID2 on LGPS administering authorities can be found on the Scheme Advisory Website. Wiltshire Pension Fund is in the process of reviewing this guidance and the steps required to opt up to professional status and a paper on this agenda will request the Committee agree to request an opt up to "professional" investor status with its investment managers and advisers.</p>	

Organisation	Subject	Link	Comments	Risk
Scheme Advisory Board (SAB)	Academies' review	http://www.lgpsboard.org/index.php/structure-reform/review-of-academies http://www.lgpsboard.org/index.php/structure-reform/review-of-academies	<p>SAB in support of its work plan for 2016/17, invited proposals from interested parties to assist it in developing options with regard to the plan to convert all schools to academies and what this would mean for LGPS pension funds and their host authorities.</p> <p>The resulting PwC report "Options for Academies in the LGPS" commissioned by the Board is published in May 2017. The report identified and highlighted problems/issues experienced by stakeholders. No recommendations were made in the report, although the potential benefits of new approaches to the management of academies within the LGPS were highlighted.</p> <p>SAB has said that it will continue to gather relevant evidence before developing specific proposals and recommendations for submission to Ministers for their consideration</p> <p>Wiltshire Pension Fund is currently reviewing the way it deals with academies in the Fund, to ensure there is a consistent approach taken and clear lines of communication with the academies themselves.</p>	
	Investment fees - Code of Transparency	http://www.lgpsboard.org/index.php/structure-reform/cost-transparency	<p>The move toward investment fee transparency and consistency is seen by the Board as an important factor in the LGPS being perceived as a value led and innovative scheme. Transparency is also a target for the revised CIPFA accounting standard issued for inclusion in the statutory annual report and accounts and included in the government's criteria for pooling investments.</p> <p>To assist LGPS funds in obtaining the data they require in order to report costs on a transparent basis SAB has published its Code of Transparency in May 2017. The Code is voluntary and asset managers who sign up will demonstrate their commitment to transparent reporting of costs. SAB will procure a third party to monitor compliance of those who sign up.</p>	

Organisation	Subject	Link	Comments	Risk
	LPB Survey	http://www.lgpsboard.org/survey.php	This was launched in May, with a closing date of the end of July 2017, although this was extended to 29 September due to a lack of responses received. The aim was to assess the effectiveness and compliance of local pension boards. Wiltshire Pension Fund responded to the survey, the findings of which will be reported to SAB in October 2017, although it is still unclear whether recommendations will then be made to Ministers.	
	Tier 3 employers	http://www.lgpsboard.org/index.php/board-publications/invitation-to-bid	Covers those Fund employers with no tax raising powers or guarantee. SAB is keen to identify the risk to LGPS Funds of default by such employers. There are currently two concurrent phases of work involved – collating data and identification of issues. SAB will then assess the risks to Funds and consider next steps.	
CIPFA	No updates have been issued by CIPFA since the last Pension Board meeting			
Wiltshire Pension Fund	Update on Insurance Indemnity Issue		Further guidance isn't expected from Scheme Advisory Board. Therefore, following review the Local Pension Board have agreed to obtain a minimum level of cover.	
	Ill Health Liability Insurance		The Fund launched ill health liability for most scheme employers with effect from 1 August 2017 (Wiltshire and Swindon Councils together with a small number of other larger employers are not included). The insurance is financed via the employer contribution rate and provides cover for each employer covered by the policy against the significant strain costs that can result from either a tier 1 ill health retirement. All new employers joining the Fund will automatically be covered by the insurance.	

WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD
18 October 2017

WILTSHIRE PENSION FUND RISK REGISTER

Purpose of the Report

1. The purpose of this report is to update the Board in relation to changes to the Fund's Risk Register (see Appendix). The Risk Register was considered by the Pension Committee at its meeting on 27 September 2017.

Background

2. The Committee approved a Risk Register for the Wiltshire Pension Fund at its meeting on 12 May 2009. Members requested that the highlights, particularly upward/downward movements in individual risks, be reported back to the Committee on a quarterly basis.

Key Considerations for the Committee / Risk Assessment

3. The significance of risks is measured by interaction of the likelihood of occurrence (likelihood) and the potential impact of such an occurrence (impact). This register uses the Council's standard "4x4" approach, which produces a risk status of Red, Amber or Green (RAG).
4. There are two risks increasing since the last report in June 2017.
5. **PEN009: Failure to Hold Personal Data Securely:** This has risen from green to amber to reflect the increasing importance of prioritising resources to ensure the required changes to processes and documentation are implemented ahead on the new General Data Protection Regulations (GDPR) Act that come into force in May 2018. The Fund is currently one of several working together nationally to review the implications of the new act and to knowledge share solutions and approaches. The Fund is also working with Wiltshire Council's corporate project team to ensure they are updated of progress. Failure to meet the GDPR requirements could lead to significant fines along with the associated reputational risk. A review of the project plan is being undertaken to assess the key risks and resource implications for the Fund.
6. **PEN023: Resources of Officers and Members to Meet the Expansion of Business Items:** This has risen from amber to red with the resignation of the Head of Pensions who leaves at the end of November following this month's departure of the Strategic Pension Manager. This means in the short term, resource and knowledge to support the Committees and Board will be limited. Officers are considering both short and long term options to mitigate this risk as outlined below.
7. The current staffing levels mean that **PEN011: Lack of expertise of Pension Fund Officers**, **PEN012: Over-reliance on key officers** and **PEN020: Pooling of LGPS assets** all remain red risks. The pension team structure was already being reviewed to consider realignment of cover to take account of changes to roles arising from the Brunel Pension Partnership. This is now being finalised, with the intention to commence recruitment to the senior management roles shortly. As an interim measure, Hymans Robertson will continue to provide additional support to the Fund. A further verbal will be provided to the Board at this meeting.

8. Work continues to mitigate where possible the risks above along with the other remaining medium risks highlighted on the risk register.

Financial Implications

9. There is a potential increase in staff costs as a result of any staffing review that will be funded from the Wiltshire Pension Fund administration budget.

Legal Implications

10. There are no known implications from the proposals.

Environmental Impacts of the Proposals

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

12. There are no known implications at this time.

Proposals

13. The Board is asked to note the attached Risk Register and measures being taken to mitigate risks.

MICHAEL HUDSON
Treasurer to the Pension Fund

Report Author: David Anthony, Head of Pensions

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

Ref.	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in place to manage the risk	Current Risk Rating				Further Actions necessary to manage the risk	Risk Action Owner	Date for completion of action	Target Risk Rating				Date of Review	Direction of Travel
							Impact	Likelihood	x	Level of risk				Impact	Likelihood	x	Level of risk		
PEN001	Failure to process pension payments and lump sums on time	Benefits Administration	Non-availability of ALTAIR pensions system, SAP payroll system, key staff, or error, omission, etc.	Retiring staff will be paid late, which may have implications for their own finances. It also has reputational risk for the Fund and a financial cost to the employers if interest has to be paid to the members.	David Anthony	Maintenance and update of ALTAIR and SAP systems, sufficient staff cover arrangements, sufficient staff training and QA checking of work. Adherence to Pension Administration Strategy and regular monitoring of performance. Documentation of processes and reconciliations.	2	2	4	Low	None	David Anthony		2	2	4	Low	18 Sep 17	→
PEN004	Inability to keep service going due to loss of main office, computer system or staff	Benefits Administration	Fire, bomb, flood, etc.	Temporary loss of ability to provide service	David Anthony	Business Continuity Plan reviewed in Dec 2016 and in place. The team have the ability to work from home or remotely if required. The pension system is also hosted by its supplier, which reduces the risk should Wiltshire Council's IT servers fail. The Fund also operates a paperless office.	4	1	4	Low	None	David Anthony		4	1	4	Low	18 Sep 17	→
PEN005	Loss of funds through fraud or misappropriation	Benefits Administration	Fraud or misappropriation of funds by an employer, agent or contractor	Financial loss to the Fund	David Anthony	Internal and External Audit regularly test that appropriate controls are in place and working. Regulatory control reports from investment managers, custodian, etc. are also reviewed by audit. Due Diligence is carried out whenever a new manager is appointed. Reliance is also placed in Financial Services Authority registration.	4	1	4	Low	None	Catherine Dix		4	1	4	Low	18 Sep 17	→
PEN014	Failure to provide the service in accordance with sound equality principles	Benefits Administration	Failure to recognise that different customers have different needs and sensitivities.	Some customers may not be able to access the service properly or may be offended and raise complaints. At worst case, this could result in a court case, etc.	David Anthony	The Fund has done an Equality Risk Assessment and has an Equality Implementation Plan in place	2	1	2	Low	Review procedures / policies to ensure compliant with Wiltshire Council Trans gender policy.	Craig Payne	Sep 17	2	1	2	Low	18 Sep 17	→
PEN021	Ability to Implement the Public Sector Exit Cap	Benefits Administration	Introduction of exit cap will require an additional burden on the administration team.	Changes need to be communicated to individuals and employers and systems adapted once the revised regulations have been approved	David Anthony	Currently monitoring the progress of the current consultations and responding where appropriate. Briefings being provided to team and stakeholders. Concern that further information is still pending from Government.	2	2	4	Low	Discussions with employers on how to implement. Training for the team on how to implement. Project to amend systems and letters to accommodate changes. Not anticipating implementation currently.	Craig Payne	Sep-17	1	3	3	Low	18 Sep 17	→
PEN022	Reconciliation of GMP records	Benefits Administration	From 1 April 2016 SERPS will cease and HMRC no longer provide GMP data on members. Fund will be unable to check accuracy of its GMP records.	If GMP records for members is inaccurate there is the potential for incorrect liabilities being paid by the Fund.	David Anthony	Project has been set up and 2 Data Analysts employed to assist with resources. Additional software from Heywood's to process amendments in bulk has been purchased.	2	4	8	Medium	Reconciliation project on-going. Ahead of most LGPS Funds but reliant on HMRC responses. Need to agree policies for tolerances with Committee prior to any rectification phase.	Mark Anderson	Dec-17	1	3	3	Low	18 Sep 17	→

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PEN003	Insufficient funds to meet liabilities as they fall due	Funding & Investments	Contributions from employees / employers too low, failure of investment strategy to deliver adequate returns, significant increases in longevity, etc.	Immediate cash injections would be required from the scheme employers. This shouldn't be an issue for the Fund but it looks likely that investment income might need to be used within the next 12 months.	David Anthony	Funding Strategy Statement, Investment Strategy, Triennial Valuations, membership of Club Vita, modelling of future cash flows.	2	2	4	Low	None	David Anthony		4	1	4	Low	18 Sep 17	→
PEN006a	Significant rises in employer contributions for secure employers due to increases in liabilities	Funding & Investments	Scheme liabilities increase disproportionately as a result of increased longevity, falling bond yields, slack employer policies, etc. The current price of gilts lead to a worsening Funding Position.	Employer contribution rates become unacceptable, causing upward pressure on Council Tax and employers' costs.	David Anthony	Longevity and bond yields are really beyond the control of the Fund although some Funds have considered buying longevity insurance through the use of SWAPS. However, the Fund and each employer must have a Discretions Policy in place to help control discretionary costs (e.g. early retirements, augmented service, etc). Quarterly monitoring in liabilities movements is undertaken providing advance warning to employers.	2	1	2	Low	The Stabilisation Policy has limited increases for secure employer. This approach has been used for the 2016 Valuation.	David Anthony		2	2	4	Low	18 Sep 17	→
PEN006b	Significant rises in employer contributions for non-secure employers due to increases in liabilities	Funding & Investments	Scheme liabilities increase disproportionately as a result of increased longevity, falling bond yields, slack employer policies, etc. The current price of gilts lead to a worsening Funding Position.	Employer contribution rates become unacceptable, causing upward pressure on Council Tax and employers' costs.	David Anthony	Longevity and bond yields are really beyond the control of the Fund although some Funds have considered buying longevity insurance through the use of SWAPS. However, the Fund and each employer must have a Discretions Policy in place to help control discretionary costs (e.g. early retirements, augmented service, etc). Quarterly monitoring as described above. The 2016 Valuation will set employer rates for the 3 years from April 2017.	2	2	4	Low	The rates for the 2016 Valuation were presented in October. The better than expected investment performance along with improving membership experience and reviewing of assumptions has meant most increases have not been significant.	David Anthony		2	2	4	Low	18 Sep 17	→
PEN007a	Significant rises in employer contributions for secure employers due to poor/negative investment returns	Funding & Investments	Poor economic conditions, wrong investment strategy, poor selection of investment managers, poor consideration of all financial & non-financial risks including ESG issues.	Poor/negative investment returns, leading to increased employer contribution rates	David Anthony	Use of expert consultants in the selection of investment strategy and investment managers, regular monitoring of investment managers (1/4ly), regular reviews of investment strategy (annually). Monthly review of % of Fund held in each mandate. Also a flight path strategy implemented to take off risk as funding levels improve. Fund member of LAPFF & uses PIRC to proxy vote on shares in line with agreed policy for ESG issues. Compliance with Stewardship code.	2	1	2	Low	The implementation of the Stabilisation Policy limits increases for secure employer. This policy has continued in the 2016 Valuation. A new Investment Strategy Statement will be implemented by April 2017, following approval by this Committee in March.	David Anthony		2	2	4	Low	18 Sep 17	→

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PEN007b	Significant rises in employer contributions for non-secure employers due to poor/negative investment returns	Funding & Investments	Poor economic conditions, wrong investment strategy, poor selection of investment managers, poor consideration of all financial & non-financial risks including ESG issues.	Poor/negative investment returns, leading to increased employer contribution rates	David Anthony	Use of expert consultants in the selection of investment strategy and investment managers, regular monitoring of investment managers (1/4ly), regular reviews of investment strategy (annually). Monthly review of % of Fund held in each mandate. Also a flight path strategy implemented to take off risk as funding levels improve. Fund member of LAPFF & uses PIRC to proxy vote on shares in line with agreed policy for ESG issues. Compliance with Stewardship code.	2	2	4	Low	A risk based framework is now in place to review employers long term financial stability. This informs the policy for stepping in contribution rates to assist in affordability issues where requested by an employer. A new Investment Strategy Statement will be implemented by April 2017, following approval by the Committee in March.	David Anthony		2	2	4	Low	18 Sep 17	→
PEN015	Failure to collect payments from ceasing employers	Funding & Investments	When an employer no longer has any active members a cessation valuation is triggered and a payment is required if a funding deficit exists to meet future liabilities	Failure to collect cessation payments means the cost of funding future liabilities will fall against the Wiltshire Pension Fund	David Anthony	The Pension Fund Committee approved a new Cessation Policy in March 2016 to provide an updated agreed framework for recovery of payments. All new admitted bodies require a guarantor to join the Fund. It also provides additional flexibilities for the Fund dealing with employers cessation payments.	2	2	4	Low	Concern over ability for Head of Pensions to spend sufficient time covering the strategic employer issues with the on-going Brunel project. Additional time to be planned to assist in training Employer Relations Manager and new procedures being drafted.	David Anthony		2	1	2	Low	18 Sep 17	→
PEN016	Treasury Management	Funding & Investments	The Fund's treasury function is now segregated from Wiltshire Council. This includes the investment of surplus cash in money markets.	Exposure to counterparty risk with cash held with external deposit holders could impact of Funding level of the Fund	David Anthony	The Pension Fund will review an updated Treasury Management Strategy at the March meeting which follows the same criteria adopted by Wiltshire Council but limits individual investments with a single counterparty to £6m.	3	1	3	Low	The Council uses Sector's credit worthiness service using ratings from three rating agencies to provide a score. Surplus cash is transferred to the Custodian at month end ensuring cash balances are minimal.	Chris Ashton		3	1	3	Low	18 Sep 17	→
PEN024	Impact of EU Referendum	Funding & Investments	The impact of the EU referendum	A vote to exit the EU may produce short term volatile market movements which could impact on asset performance.	David Anthony	The Fund has liaised with its investment managers on the potential impact of an exit. The Fund has agreed to revert to a 50% overseas equities hedged position for the current timeframe to reflect the current weakness of sterling.	3	2	6	Medium	Markets have appeared to have settled since the BREXIT vote. Will monitor markets as exit negotiations begin. Risk mitigation tools be considered by Investment Sub Committee to protect Fund from future downside risk. Investment Away day on 1 November will review further.	David Anthony	Sep-17	3	1	3	Low	18 Sep 17	→
PEN026	Impact of MiFid II Regulations	Funding & Investments	New MiFID 2 investment regulations from Jan 2018 will classify LGPS Funds as "retail" investors. They will need to opt up to professional status	If Wiltshire Pension Fund is unable to attain "professional" status it will limit the range of investments available and may lead to the forced sale of assets.	David Anthony	The Fund is awaiting national guidance as LGA discuss implications for LGPS with FCA.	3	3	9	Medium	LGE and Scheme Advisory Board now agreed standard templates for application of LGPS funds to opt up to "professional" status. On this agenda to agree application.	David Anthony	Sep-17	3	1	3	Low	18 Sep 17	→

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PEN002	Failure to collect and account for contributions from employers and employees on time	Regulatory & Governance	Non-availability of SAP systems, key staff, error, omission, failure of employers' financial systems, failure to communicate with employers effectively. LGPS 2014	Adverse audit opinion for failure to collect contributions by 19th of month, potential delays to employers' FRS17 year-end accounting reports and to the Fund's own year-end accounts.	David Anthony	Robust maintenance and update of ALTAIR and SAP systems, sufficient staff cover arrangements, sufficient staff training and QA checking of work. We constantly work with employers to ensure they understand their responsibilities to pay by 19th of the month. The Breaches framework now require the Fund to log material late payments.	2	3	6	Medium	The amount of employers (170) to review and monitoring is too high for current resource level and in order to ensure compliance with TPR Code, need to ensure each missed payment is reported to Regulator after 90 days. A revised contributions framework is currently being implemented and effective from October 2017.	David Anthony	Sep-17	2	2	4	Low	18 Sep 17	→
PEN008	Failure to comply with LGPS and other regulations	Regulatory & Governance	Lack of technical expertise / staff resources to research regulations, IT systems not kept up-to-date with legislation, etc	Wrong pension payments made or estimates given. Investment in disallowed investment vehicles or failure to comply with governance standards. Effect: Unhappy customers, tribunals, Ombudsman rulings, fines, adverse audit reports, etc	David Anthony	Sufficient staffing, training and regulatory updates. Competent software provider and external consultants. Technical & Compliance post reviews process and procedures and maintains training programme for the team. The Pension Regulator now has responsibility from 1 April 2015 for Public Sector Pension Schemes. Their code of practice includes a number of new requirements which the Fund has assessed itself against	2	2	4	Low	Work continues to ensure the Fund can comply fully with the tPR Code of Practice requirements but this may lead to areas of non-compliance in the short term. Any "material" non-compliance will be reported to the Regulator. An audit report on the Fund's compliance was presented to the last Committee which showed no material issues. Update on recommendations to next meeting.	David Anthony	Sep-17	2	2	4	Low	18 Sep 17	→
PEN009	Failure to hold personal data securely	Regulatory & Governance	Poor procedures for data transfer to partner organisations, poor security of system, poor data retention, disposal, backup and recovery policies and procedures.	Poor data, lost or compromised, fines from the Information Commissioner, reputational risk of failure to meet Data Protection legislation.	David Anthony	Compliance with Wiltshire Council's Data Protection & IT Policies. Annual Data Protection training given to the team. On-going cleansing of data undertaken by Systems Team.	2	3	6	Medium	The Fund needs to ensure it meets with the new General Data Protection Regulations (GDPR) coming into effect in May 2018. Currently working with a number of other Funds to review implications and updating the Wiltshire Council corporate project team on position. Requires resources prioritised to avoid becoming a significant risk.	David Anthony	Apr-18	2	1	2	Low	18 Sep 17	↑
PEN010	Failure to keep pension records up-to-date and accurate	Regulatory & Governance	Poor or non-existent notification to us by employers and members of new starters, changes, leavers, etc	Incorrect records held, leading to incorrect estimates being issues to members and incorrect pensions potentially being paid.	David Anthony	Systems Team constantly working to improve data quality, data validation checks carried out through external partners (e.g. the Fund's actuaries and tracing agencies), pro-active checks done through national fraud initiative.	2	3	6	Medium	From 1 April 2014, the Pension Regulator will require additional checks on data. Data cleansing is taking place to address this. Fund working with Heywood's software provider to review data and prioritise improvements.	Mark Anderson	Jun-17	2	1	2	Low	18 Sep 17	→
PEN011	Lack of expertise of Pension Fund Officers and Service Director, Finance	Regulatory & Governance	Lack of training, continuous professional development and continuous self assessment of skills gap to ensure knowledge levels are adequate to carry out roles to the best of their ability	Bad decisions made may be made in relation to any of the areas on this register, but particularly in relation to investments.	Michael Hudson	Officers ensure that they are trained and up-to-date in the key areas through attendance at relevant courses and seminars, reading, discussions with consultants and peers, etc. The Technical & Compliance Manager has formulated annual Training Plans and Relevant officers are also reviewed against the CIPFA Knowledge & Skills Framework to ensure adequate expertise exists.	3	4	12	High	Head of Pensions leaving 30 November, Strategic Pension Manager left during September. These posts to be advertised shortly once restructure of team agreed. Pension Fund Accountant being covered by internal Wiltshire Council accountant and consultancy support continues with Hymans Robertson to assist with skills gaps.	Michael Hudson	Nov-17	2	1	2	Low	18 Sep 17	→

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PEN012	Over-reliance on key officers	Regulatory & Governance	The specialist nature of the work means that there are inevitably relatively experts in investments and the local authority pension regulations	If someone leaves or becomes ill, a big knowledge gap if less behind.	Michael Hudson	Key people in the team are seeking to transfer specialist knowledge to colleagues. In the event of a knowledge gap, however, we can call on our external consultants and independent advisors for help in the short-term.	3	4	12	High	Hymans Robertson continue to provide consultancy support. Head of Pensions leaves 30 November, and Strategic Pension Manager now left both need replacing. Currently restructure being finalised and posts will be advertised, along with vacancy System roles. Interim options also considered if required.	Michael Hudson	Nov-17	2	1	2	Low	18 Sep 17	→
PEN017	Lack of expertise on Pension Fund Committee	Regulatory & Governance	Lack of structured training and continuous self assessment of skills gap to ensure knowledge levels are adequate to carry out roles to the best of their ability	Bad decisions made may be made in relation to any of the areas on this register, but particularly in relation to investments. There is also a requirement for Fund's to 'Comply or Explain' within their Annual Report on the skills knowledge of members of the Committee	David Anthony	Members are given Induction Training when they join the Committee, as well as subsequent opportunities to attend courses/seminars and specialist training at Committee ahead of key decisions. There is a Members' Training Plan and Governance Policy. Further training and advice can be called on from our consultants, independent advisors and investment managers too.	2	3	6	Medium	The new members training plan for 2015-17 was approved in March 2015. Induction training undertaken in May 2017.	David Anthony		2	1	2	Low	18 Sep 17	→
PEN019	Establishment of Local Pension Board & Investment Sub-Committee	Regulatory & Governance	Failure for Wiltshire Council to establish a Local Pension Board, from finding suitable representatives and the officer time required to support this Board and the newly formed pension sub-committee.	Reputational risk from a national perspective and failure to adhere to legislation resulting in action by the Government or the Pension Regulator. Ineffective operation of the Investment sub-Committee leading to bad decision making.	David Anthony	Local Pension Board, approved by Wiltshire Council on 24 February. Following. Recruitment has taken place and all places filled with first meeting scheduled for 16 July 2015, following induction session on 2 July 2015. These Boards will place additional demands on both Members, in particular the need to undertake training and the pension officers time in the support and provision of information.	2	2	4	Low	A review of the effectiveness of the Investment Sub-Committee was undertaken which indicates its effectiveness and positive contribution in considering investments in more detail and freeing up Pension Committee agenda time. The Local Pension Board Annual Report has shown how its been effective over the past 12 months in assisting in the effectiveness of administration of the Fund.	David Anthony		1	3	3	Low	18 Sep 17	→
PEN020	Pooling of LGPS assets	Regulatory & Governance	The Fund needs to respond to the Government's consultation for significantly ambitious proposals for pooling of LGPS assets	If not involved in forming proposals the Government may impose of pooling arrangement on the Fund over which it has not control. If implemented incorrectly this could be costly in terms of additional fees and poor investment returns.	David Anthony	The Fund is being proactive in exploring options with Project Brunel on the potential feasibility of setting up a pooling arrangement. Progress and updates regularly reported to Committee. The Fund approved the submission to Government in response to the consultation in July 2016. The full business case was approved by Council in February. The implementation phase now commences.	3	4	12	High	Significant amount of resource still required by officers to progress this project as the Client group is established and until BPP Ltd can take on more staff. Transfer to new custodian needs to take place prior to end of calendar year and utilise officer experience.	David Anthony	Sep-17	1	3	3	Low	18 Sep 17	→

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PEN023	Resources of Officers and Members to meet the expansion of business items	Regulatory & Governance	The recent expansion of business items resulting from continued consultations, pooling of assets, and additional governance requirements.	It is increasingly more difficult for officers to thoroughly consider issues and to deliver concise agenda papers covering all the relevant issues, while members are faced with larger report packs trying to cover the pertinent details.	Michael Hudson	More use of web links within the Committee papers to reduce the size of the packs. The adequacy of officers resources to support the Fund's 3 committees, the on-going pooling agenda and the additional complexities arising from regulatory scheme changes will need to be monitored through work planning and appraisals.	3	4	12	High	With the Head of Pensions and Strategic Pension Manager leaving support available to service the Committees / Boards is limited. Looking to replace these posts as soon as possible, but may need more consultant resource in the short term to provide cover at this level.	Michael Hudson	Nov-17	1	2	2	Low	18 Sep 17	↑
PEN025	Academisation of Schools	Regulatory & Governance	The recent proposals from the Government to encourage all school to convert to academy status.	Additional governance and administration risk. If all schools were to convert then the number of employers in the Fund could jump from 170 to between 400 and 500.	David Anthony	Regular communications with schools to understand their intentions. Questionnaires recently sent to Schools.	2	3	6	Medium	PWC report issued on academies, identifies the issues but no recommendations. Fund is reviewing how academies are dealt with when MATs break-up and the additional governance involved with a report back to this Committee in December 2017.	Denise Robinson	Dec-17	1	1	1	Low	18 Sep 17	→
PEN013	Failure to communicate properly with stakeholders	Communication	Lack of clear communications policy and action, particularly with employers and scheme members.	Scheme Members are not aware of the rights and privileges of being in the scheme and may make bad decisions as a result. Employers are not aware of the regulations, the procedures, etc, and so the data flow from them is poor.	David Anthony	The Fund has a Communications Manager and Employer Relationship Manager dedicated to these areas full-time, including keeping the website up-to-date, which is a key communications resource. The Fund also has a Communications Policy.	2	2	4	Low	Member communication continues to be developed and the current round of pension clinics are being held. Both Employer and Members newsletters have been sent out during March / April. Employer forums were held in April and September with an AGM being planned in June. The Fund now has a Twitter account. Annual Benefit Statement sent to members by 31 August.	Zoe Stannard / Denise Robinson		1	1	1	Low	18 Sep 17	→

WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD
18 October 2017

PENSION FUND KEY PERFORMANCE INDICATORS

Purpose of the Report

1. The purpose of this report is to present the Fund's performance against its key performance indicators (KPIs) in relation to the administration of benefits.

Background

2. As part of the Fund's 2015/18 Business Plan, the Fund has a commitment to introduce bi-annual performance reporting of KPIs in order to improve management information, assist with performance monitoring and increase transparency of the administration performance. This objective fits in with our overriding objectives to ensure the effective management and governance of the Fund and to provide an effective, customer friendly benefits administration service.
3. This commitment is also in line with the Pensions Regulator's increased focus on governance of public service pension schemes resulting from the extension of its remit to cover public service pension schemes via the Public Service Pension Act 2013 and the resulting *Code of Practice 14 - Governance and administration of public service pension scheme* which sets out the wide-ranging governance requirements the Regulator expects to see adhered to.
4. At its meeting on 23 March 2017, the Committee agreed a set of KPIs that the Fund would be measured against which are now attached to this report.

Considerations for the Board

5. The following KPIs are reported on and shown on the attached APPENDIX for 2017-18 Quarter 1 along with a trend analysis for the previous 2 quarters:
 - Putting benefits into payment on retirement from active status;
 - Commencing payment of benefits for deferred members;
 - Provision of retirement estimates;
 - Provision of deferred benefit statements to members who leave before 55;
 - Processing of transfer payments into and out of the Fund;
 - Provision of cash equivalent values in cases of divorce;
 - Processing of refunds of contributions;
 - Processing of inter-LGPS Fund transfers; and
 - Payment of death grants and applicable survivor's pensions.
6. The data is subdivided into the time taken to complete each task into different tranches (0 to 5 days, 6 to 10 days, etc.), as well as setting out those instances where performance was outside of the statutory time limits. This information allows the Fund to look at trends and to provide a better understanding of any potential issues impacting the day-to-day administration of the Fund.

7. Separately the Fund will be introducing reporting on the performance of scheme employers, including Wiltshire Council, in the accurate deduction of employee and employer contributions (see separate paper on this agenda) and their timely payment over to the Fund. All employer organisations have been notified and a revised framework is being implemented from October 2017.
8. The Fund will also be extending its reporting on employer performance. The Fund is collecting data on the provision of information relating to changes, starters, retirements, leavers and hope to be in a position shortly to agree a format for presenting this information.
9. Ultimately the Pension Committee and Board will receive a suite of metrics that will also include membership data, compliance with the Pension Regulators Code of Practice, and a summary of IDRPs cases.

Conclusions

10. This information provides short term analysis on the Fund's performance against key administrative tasks. As time passes, this will provide a greater insight into longer term trends and identify areas for improvements.
11. **Active to retirement** cases has seen a fall each quarter in meeting the target timeframe. This is related to resourcing issues at the Senior Pension Officer level, which has led to Pension Officers, who are responsible for these retirements, providing additional cover to maintain the service in **processing death cases**. Despite this, overall, the number of active retirement cases completed was at its highest level over the three quarters in Q1. The resourcing issues have also had a similar impact on **transfer outs** cases.
12. In a number of **Active to Retirement** cases that were not processed within 20 days, there are some cases that required clarification from the member's employer's payroll agents that further impacted on delays. The Fund is continually striving to work with employers to highlight and address educational issues to ensure processes are seamless in providing the very best service for the member.
13. **Refund of contributions** has also seen a fall in terms of meeting targets. The main reason for this reduction during this period is that the Pension Assistants were primarily focussing on processing **leavers to deferred status** ahead of the Annual Benefit Statement (ABS) exercise. This was prioritised as it's a statutory requirement for the Fund to provide all deferred members with an ABS. This is evidenced by the increase in performance of the **leavers to deferred status** cases from 81% in Q4 to 91% in Q1, and the number completed within timeframe rising from 215 in Q3, to 539 in Q1.
14. The current review of the pension team will aim to ensuring a better balance of resources at the correct levels to ensure targets are achieved moving forward.
15. Officers will continue to develop its suite of reporting to ensure that Board and Pension Committee have the relevant information to enable the appropriate level of scrutiny of the Fund's performance.

Environmental Impact

16. There is no environmental impact from this report.

Financial Considerations

17. There are no immediate financial considerations resulting from the reporting of the Fund's performance against its key performance indicators.

Risk Assessment

18. There are no direct risks to the Fund associated with this reporting.

Legal Implications

19. There are no immediate legal implications arising from this report.

Safeguarding Considerations/Public Health Implications/Equalities Impact

20. There are no implications at this time.

Proposals

21. The Board is requested to note the Fund's performance against its key performance indicators.

MICHAEL HUDSON
Treasurer to the Pension Fund

Report Author: David Anthony – Head of Pensions

APPENDIX

Wiltshire Pension Fund

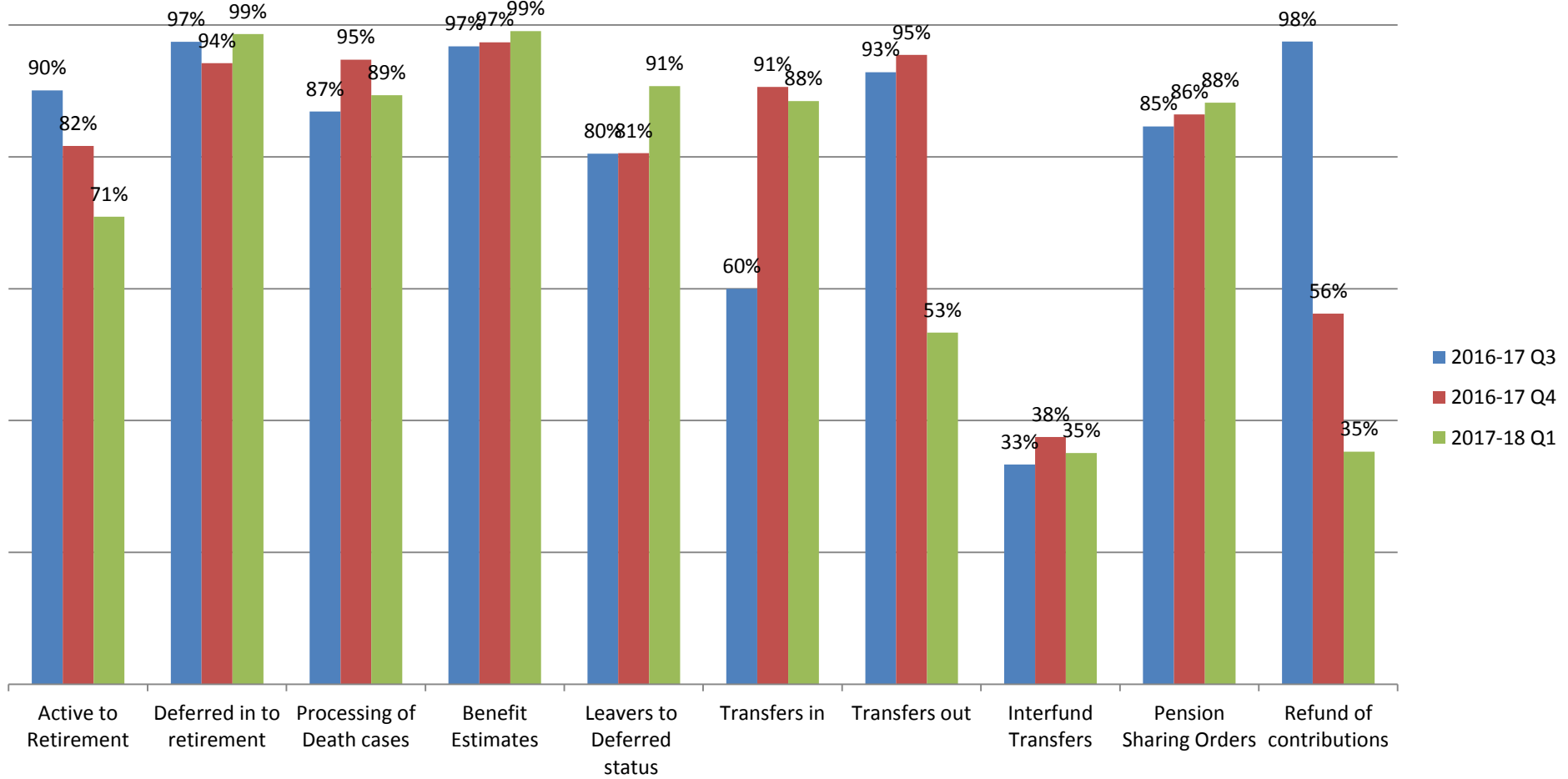
Benefit Administration Key Performance Indicators

Period 01/04/2017 to 30/06/2017

Type of case	Time to complete						Total	Timescales % on target	Timescales working days
	0 - 5 days	6 - 10 days	11 - 15 days	16 - 20 days	20 - 40 days	40 days +			
Active to Retirement	38	28	23	16	24	19	148	71%	20
Deferred in to retirement	116	22	6	0	1	1	146	99%	20
Processing of Death cases	43	40	15	11	3	10	122	89%	20
Benefit Estimates	96	47	38	16	16	2	215	99%	40
Leavers to Deferred status	247	261	24	7	28	58	625	91%	40
Transfers in	8	6	4	2	3	3	26	88%	40
Transfers out	4	0	3	0	1	7	15	53%	30
Interfund Transfers	11	3	1	2	3	37	57	35%	40
Pension Sharing Orders	18	11	1	5	10	6	51	88%	30
Refund of contributions	36	22	8	6	59	73	204	35%	20
Grand Total	617	440	123	65	148	216	1609		
Percentage	38%	27%	8%	4%	9%	13%			

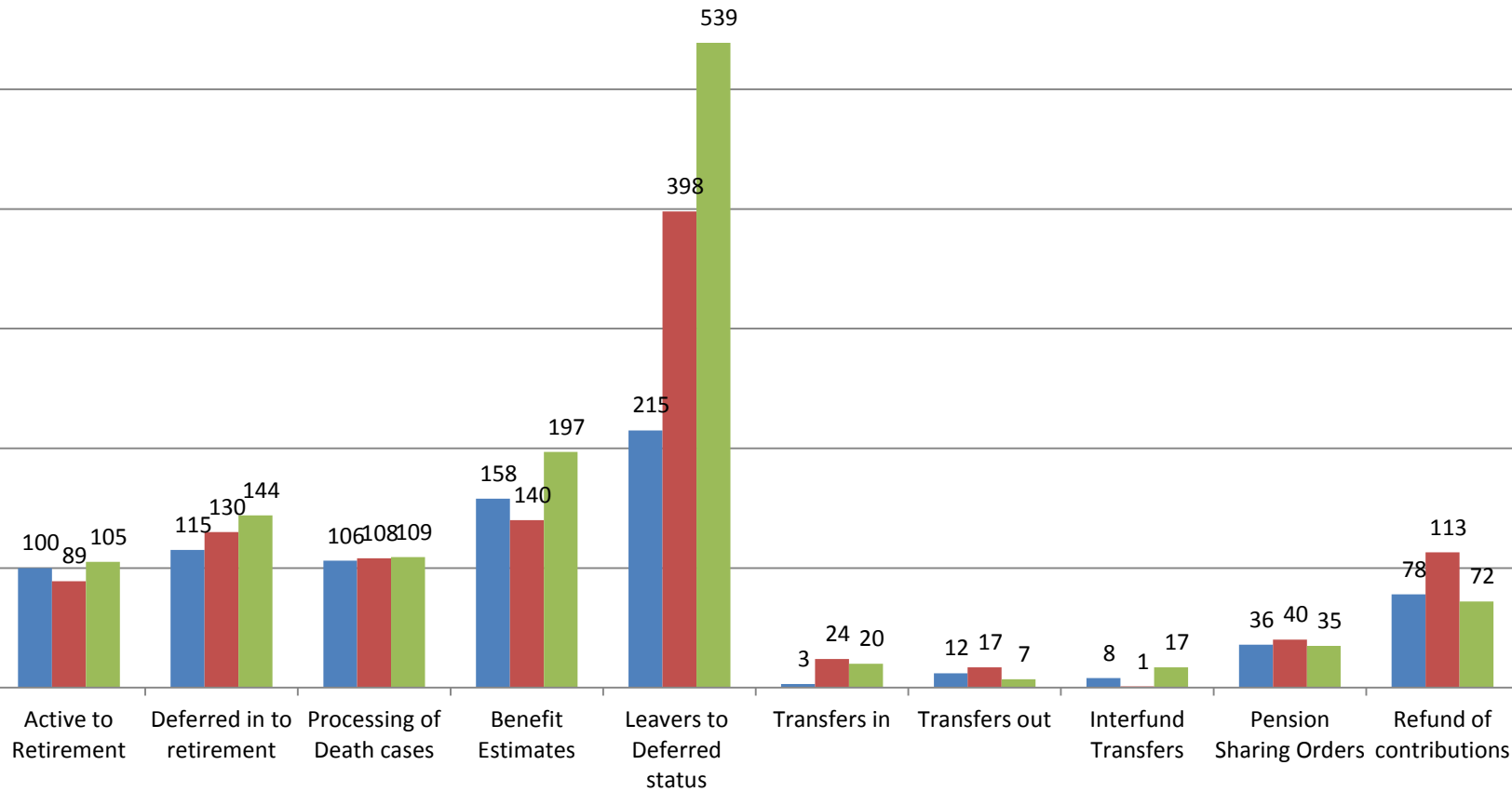
Working days from receipt of information from Employer/scheme member
Currently ignores quote work carried out beforehand

WPF KPIs 2016-17 Q3, Q4 & 2017-18 Q1
 %age of cases completed within target number of days



WPF KPIs 2016-17 Q3, Q4, & 2017-18 Q1
 Number of cases completed within target number of days

■ 2016-17 Q3
 ■ 2016-17 Q4
 ■ 2017-18 Q1



WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD
18 October 2017

EXTERNAL & INTERNAL AUDIT UPDATES

Purpose of the Report

1. The purpose of this report is to present the Final Audit Report for the Wiltshire Pension Fund prepared by KPMG and provide an update on the future provision of audit services.

Background

2. There is a requirement for a separate annual audit to be carried out on the Wiltshire Pension Fund. The audit has been carried out by Wiltshire Council's external auditor, KPMG.
3. KPMG completed an interim audit visit in March 2017 but did not issue an interim report as there were no significant issues arising from this work. Over the summer they have carried out the main audit and again no significant issues were raised. Therefore, as there are no issues to report the resulting Final Audit Report has been included within the main one for Wiltshire Council (see attached). This report was presented and approved on the 26 July 2017 meeting of the Audit Committee.
4. KPMG's final audit opinion and certificate on the Wiltshire Pension Fund Annual Report is due to be provided once they complete work on the Whole of Government Account by the end of September 2017. The draft Wiltshire Pension Fund Financial Statements for 2016-17 was approved by this committee at the meeting on 28 June 2017. The draft Pension Fund Annual Report is on today's agenda.

Considerations for the Committee

5. The attached draft Final Audit Report (page 17) states KPMG anticipate issuing an unqualified opinion on the Pension Fund Annual Report at the same time as the opinion on the Statement of Accounts.
6. The Treasurer to the Pension Fund will provide an update on the future provision of external audit services at this meeting as this will now be appointed on a national basis and therefore KPMG would not be the auditor for the next year.
7. The internal audit plans, which is undertaken by the South West Audit Partnership (SWAP) is currently being drafted and will be agreed with the officers of the Pension Fund in the coming months.
8. Based on the previous internal and external audit plans that have come to this meeting, the Board may wish to consider any items that they feel would need to be covered in this plan.

Environmental Impact of the Proposal

9. There is no known environmental impact of this proposal.

Safeguarding Considerations/Public Health Implications/Equalities Impact

10. There are no known implications at this time.

Financial Considerations & Risk Assessment

11. There are no financial consideration resulting from this proposal and the paper reviews risk as part of the audit.

Proposals

12. The Board is asked to:

- a) note the attached Final Audit Report;
- b) note the verbal update on the appointment of the Fund's external auditor; and
- c) recommend to officers any areas that should be covered in the 2018 internal audit plan.

MICHAEL HUDSON
Treasurer to the Pension Fund

Report Author: Chris Ashton, Fund Investment & Accounting Manager (Maternity Cover)

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



External audit report 2016/17



Wiltshire Council

—

July 2017

Summary for the Audit Committee

Financial statements This document summarises the key findings in relation to our 2016-17 external audit at Wiltshire Council ('the Authority'), along with our audit of the Wiltshire Pension Fund.

This report focusses on our on-site work which was completed in March 2017 and July 2017 on the Authority's significant risk areas, as well as other areas of your financial statements. Our interim audit findings are presented on pages 4-9, with the final audit work on pages 10-21.

Subject to all outstanding queries being resolved to our satisfaction we anticipate issuing an unqualified audit opinion on the Authority's financial statements on 26 July 2017 (which is nine weeks before the statutory deadline of 30 September 2017).

We also anticipate issuing an unqualified audit opinion in relation to the Pension Fund's financial statements on 26 July 2017.

We have identified three audit adjustments with a total net value of £33.9 million. See page 16 and appendix 3 for details.

Based on our work, we have raised one recommendation. Details on our recommendations can be found in Appendix 1.

We are now in the completion stage of the audit and anticipate issuing our completion certificate and Annual Audit letter in line with statutory deadlines.

Value for Money We have completed our risk-based work to consider whether in all significant respects the Authority has proper arrangements to ensure it has taken properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We therefore anticipate issuing an unqualified value for money opinion.

See further details on pages 22-26.

Control Environment (including IT controls) Your organisational control environment is effective overall. However, we noted that the controls implemented by the Authority in order to manage the risk of inappropriate super user access to the SAP financial accounts system had ceased operating early in the financial year. Whilst we have not identified any instances of unauthorised access we are unable to place reliance upon the IT controls in operations to prevent such access. As a result, our ability to rely upon SAP automated controls was significantly reduced and additional work was required in relation to our financial statements audit.

In addition, we identified that improvements were required in relation to the access controls over the Northgate revenues and benefits system dataset, with a higher than expected number of users being able to directly edit the data.

We have summarised the outcomes of our IT controls work at page 7 and have issued a separate report to management setting out the full details of our findings and the resulting recommendations. Management have indicated that work is underway to resolve the issues identified.

Acknowledgements We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

We ask the Audit Committee to note this report.

Contents

2	Summary for Audit Committee
4	Section one: interim audit
10	Section two: financial statements
22	Section three: value for money
	Appendices
28	One: Key issues and recommendations
30	Two: Follow-up of prior year recommendations
31	Three: Audit differences
32	Four: Materiality and reporting of audit differences
33	Five: Declaration of independence and objectivity
35	Six: Audit fees

The key contacts in relation to our audit are:

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This report is addressed to Wiltshire Council (the Authority) and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Darren Gilbert, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (on 0207 694 8981, or by email andrew.sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3H.

Section one

Interim Audit



This section summarises the key findings arising from our work completed in March 2017 as part of our interim testing for the 2016/17 Financial Statements.

This covered:

- review of the Authority's general control environment, including gaining an understanding of the Authority's IT systems and testing general IT controls;
- testing of certain controls over the Authority's key financial systems; and
- review of relevant internal audit work which we are seeking to rely upon.



Organisational Control Environment

Your organisational control environment is effective overall. However, there are significant weaknesses over the current IT control environment.

Work performed

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would have implications for our audit.

We obtain an understanding of the Authority’s overall control environment and determine if appropriate controls have been implemented. We do not complete detailed testing over all of these controls.

Key Findings

We consider that your organisational controls are generally effective overall. However, there are significant issues identified in the General IT controls over the Authority’s financial system (SAP) and the Revenue and Benefits system (Northgate).

Due to the nature of the IT issues identified, we issued a separate detailed report to management outlining their full extent and the resulting recommendations. A summary of the issues has been included on page 7 and in appendix one.

Aspect	Our Assessment	
	2016/17	2015/16
Organisational controls	3	3
Management’s philosophy and operating style	3	3
Culture of honesty and ethical behaviour	3	3
Oversight by those charged with governance	3	3
Risk assessment process	3	3
Communications	3	3
Monitoring of controls	3	3
IT control environment (see page 7)	1	2

- Key:
- 1 Significant gaps in the control environment.
 - 2 Deficiencies in respect of individual controls.
 - 3 Generally sound control environment.

IT Control Environment

We have been unable to rely on automated controls when performing our audit work because of significant deficiencies identified in the operating of the IT control environment relating to the controls over super users. There are improvements required over system access and permissions.

Work performed

The Authority relies on information technology (IT) to support both financial reporting and internal control processes. In order to satisfy ourselves that we can rely on the use of IT, we test controls over access to systems and data, system changes and maintenance, system development and computer operations over the SAP (General Ledger) and Northgate (Revenues & Benefits) environments.

Key Findings

Over recent years we have identified ongoing concerns in relation to the control exercised over SAP super user accounts (those making use of the SAP_ALL access profile), particularly those used by the system provider. During 2015/16 we noted that the Authority had made significant progress in relation to this issue in implementing new controls designed to monitor and control the use of these accounts. However, due to staffing changes in August 2016 the completion of these controls ceased. These accounts enable the user to change system parameters, alter individual transactions and delete the resulting audit trails.

There are also a high number of Northgate accounts which have direct access to the system’s underlying database. Whilst we flagged this in our 2015/16 Report to Those charged with Governance, we have clarified the extend of the changes that could be undertaken through these accounts and confirmed that they include the ability to delete underlying data and change reporting functionality without testing or approval.

Due to the sensitive nature of these issues, we have issued a separate report to management detailing the full impact of the IT failures, which management have responded to.

We have therefore been unable to rely on the Authority’s IT environment during the year. As a result, we had to undertake specific additional substantive procedures and lower the testing and sensitivity thresholds applied throughout our final audit visit. Consequently, we will be agreeing an additional charge with management to cover the cost of this additional work.

Aspect	Our Assessment	
	2016/17	2015/16
Access to systems and data	1	2
System changes and maintenance	1	2
Development of new systems and applications	3	3
Computer operations and end- user computing	3	3

- Key:
- 1 Significant gaps in the control environment.
 - 2 Deficiencies in respect of individual controls.
 - 3 Generally sound control environment.

Review of Internal Audit

Following our assessment of Internal Audit, we were able to place reliance on their work (as per agreed coverage) although an element of top up testing was required.

Background

United Kingdom Public Sector Internal Audit Standards (PSIAS) apply across the whole of the public sector, including local government. These standards are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector. Additional guidance for local authorities is included in the Local Government Application Note on the PSIAS.

Work performed

The scope of the work of your internal auditors and their findings informs our audit risk assessment.

We work with your internal auditors to assess the control framework for certain key financial systems and seek to rely on relevant work they have completed to minimise unnecessary duplication of work. Our audit fee is set on the assumption that we can place full reliance on their work.

Where we intend to rely on internal audit's work in respect of the Authority's key financial systems, auditing standards require us to complete an overall assessment of the internal audit function and to evaluate and test aspects of their work.

The Public Sector Internal Audit Standards define the way in which the internal audit service should undertake its functions. Internal audit completed a self-assessment against the PSIAS in 2015/16.

We reviewed internal audit's work on the key financial systems and re-performed a sample of tests completed by them. We only review internal audit work that has relevance to our audit responsibilities, to effectively scope out other internal audit work from our findings. Our review of internal audit work does not represent an external review against PSIAS, as required at least every five years.

Key findings

Based on the self-assessment performed by internal audit, our assessment of their files, attendance at Audit Committee and regular meetings during the course of the year, we did not identify any significant issues which would prevent us from relying on internal audit's work for 2016/17.

We have, however, identified a number of areas for further development:

- Internal audit have reduced their sample sizes in areas such as Treasury Management and Housing & Council Tax Benefits. In order for us to rely on the work, we have had to perform additional top up testing; and
- Internal audit have relied on prior year evidence in areas where there have not been any previously reported errors. Whilst we have been able to rely on these for 2016/17, additional testing would be required in 2017/18 based on our methodology.

Controls over Key Financial Systems

The controls over the key financial systems are generally sound. However, our testing over controls has been impacted due to the IT control issues identified.

Internal audit have raised a number of recommendations during the year. We have confirmed that these do not have a significant impact on our audit.

Work performed

We review the outcome of internal audit’s work on the financial systems to influence our assessment of the overall control environment, which is a key factor when determining the external audit strategy.

We also work with your internal auditors to update our understanding of some of the Authority’s key financial processes where these are relevant to our final accounts audit.

Where we have determined that this is the most efficient audit approach to take, we test selected controls that address key risks within these systems. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Our assessment of a system will not always be in line with the internal auditor’s opinion on that system. This is because we are solely interested in whether our audit risks are mitigated through effective controls, i.e. whether the system is likely to produce materially reliable figures for inclusion in the financial statements.

Key Findings

Based on our work, and the work of your internal auditors, in relation to those controls upon which we will place reliance as part of our audit, the key financial systems are generally sound.

However, we were unable to rely on many of the controls as a result of the identified IT weaknesses.

The following ratings are based on the design and implementation of the controls in operation at the Authority. In regards to payroll costs internal audit identified missing starter and leaver forms, with IT not always being informed over a leaver. The Council Tax and NNDR outcome relates to internal audit identifying that better evidencing of credit reviews by management was needed.

Aspect	Our Assessment	
	2016/17	2015/16
Payroll costs	2	2
Cash and cash equivalents	3	2
Housing Benefits	3	3
General Ledger	3	3
Council Tax and NNDR	2	2
Purchases	3	3
HRA	3	3

- Key:
- 1 Significant gaps in the control environment.
 - 2 Deficiencies in respect of individual controls.
 - 3 Generally sound control environment.

Section two

Financial Statements



We anticipate issuing an unqualified audit opinion on the Authority's 2016/17 financial statements and the Pension Fund by 26 July 2017. We will also report that your Annual Governance Statement complies with the guidance issued by CIPFA/SOLACE (*'Delivering Good Governance in Local Government'*) published in April 2016.

For the year ending 31 March 2017, the Authority is reporting a deficit of £3.6m (post-audit). The impact on the General Fund is a £0.3m increase in the General Fund.



Significant audit risks

Our *External Audit Plan 2016/17* sets out our assessment of the Authority’s significant audit risks. We have completed our testing in these areas and set out our evaluation following our work:

Significant audit risks	Work performed
<p>Significant changes in the pension liability due to LGPS Triennial Valuation</p>	<p>Why is this a risk?</p> <p>During the year, the Pension Fund has undergone a triennial valuation with an effective date of 31 March 2017 in line with the <i>Local Government Pension Scheme (Administration) Regulations 2013</i>. The share of pensions assets and liabilities for each admitted body is determined in detail, and a large volume of data is provided to the actuary to support this triennial valuation.</p> <p>There is a risk that the data provided to the actuary for the valuation exercise is inaccurate and that these inaccuracies affect the actuarial figures in the accounts. Most of the data is provided to the actuary by Wiltshire Council, which administers the Pension Fund.</p> <p>Our work to address this risk</p> <p>We have reviewed the process used to submit payroll data to the Pension Fund and have found no issues to note. We have also tested the year-end submission process and other year-end controls. The assumptions used by your actuary have been compared to industry standards, as well as being reviewed by our internal actuarial team. We have also substantively agreed the total figures submitted to the actuary to the ledger with no issues to note. We have also engaged with our colleagues in the Pension Fund audit team to gain assurance over the pension figures.</p> <p>No issues were identified as a result of the above work.</p>

Considerations required by professional standards

Fraud risk of revenue recognition

Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.

In our *External Audit Plan 2016/17* we reported that we do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue.

This is still the case. Since we have rebutted this presumed risk, there has been no impact on our audit work.



Management override of controls

Professional standards require us to communicate the fraud risk from management override of controls as significant because management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Our audit methodology incorporates the risk of management override as a default significant risk. We have not identified any specific additional risks of management override relating to this audit.

In line with our methodology, we carried out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.

There are no matters arising from this work that we need to bring to your attention.

Other areas of audit focus

We identified three areas of audit focus. These are not considered as significant risks as they are less likely to give rise to a material error. Nonetheless these are areas of importance where we carry out substantive audit procedures to ensure that there is no risk of material misstatement.

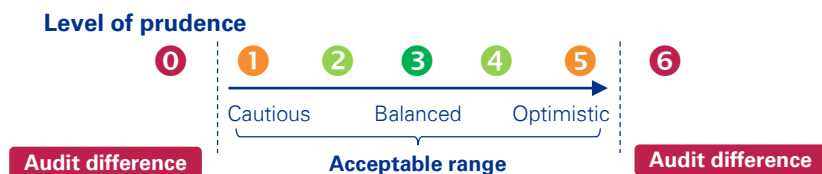
Other areas of audit focus	Our work to address the areas
<p>Disclosures associated with retrospective restatement of CIES, EFA and MiRS</p>	<p>Background</p> <p>CIPFA has introduced changes to the 2016/17 Local Government Accounting Code ("the Code"):</p> <ul style="list-style-type: none"> — Allowing local authorities to report on the same basis as they are organised by removing the requirement for the Service Reporting Code of Practice (SeRCOP) to be applied to the Comprehensive Income and Expenditure Statement (CIES); and — Introducing an Expenditure and Funding Analysis (EFA) which provides a direct reconciliation between the way local authorities are funded and prepare their budget and the CIES. This analysis is supported by a streamlined Movement in Reserves Statement (MiRS) and replaces the current segmental reporting note. <p>The Authority was required to make a retrospective restatement of its CIES (cost of services) and the MiRS. New disclosure requirements and restatement of accounts require compliance with relevant guidance and correct application of applicable accounting standards.</p> <p>What we have done</p> <p>We have obtained an understanding of the methodology used to prepare the revised statements and the prior period restatement. We have also agreed figures disclosed to the Authority's general ledger and found no issues to note.</p> <p>Whilst we initially identified three required notes that had not been included in the draft financial statements, these have been incorporated into subsequent drafts.</p>
<p>Valuation of Housing Stock</p>	<p>Background</p> <p>The DCLG published revised guidance in relation to the valuation of housing stock. The guidance included revisions to the approved regional discount rates for valuing council housing.</p> <p>What we have done</p> <p>We have agreed through the valuation schedules provided by the valuer through to the fixed asset register. The independence and competence of the valuer has been assessed, with the assumptions used compared against DCLG guidelines. We have also performed analytical reviews over expected revaluations.</p> <p>As a result of the above work we identified that the valuer had used the previous social housing adjustment factor, meaning that the value of the Authority's housing stock was materially understated by £34.0 million (including an understatement of £1.6 million in relation to PFI housing assets). The Authority has corrected this in the latest financial statements.</p> <p>As the valuation is undertaken as at 31 March 2017 there is no impact upon the depreciation charged during the year.</p>

Other areas of audit focus (continued)

Other areas of audit focus	Our work to address the areas
3. IT control failures	<p data-bbox="446 364 582 389">Background</p> <p data-bbox="446 410 1339 551">Our audit approach is designed to place reliance upon key financial controls in order to reduce the level of substantive testing required and provide audit evidence. Where these controls are automated by way of the Authority's IT systems we are required to undertake testing over the Authority's general IT controls in order to gain assurance that such automated controls can be relied upon throughout the year.</p> <p data-bbox="446 571 672 596">What we have done</p> <p data-bbox="446 617 1350 725">As set out on page 7, our testing of general IT controls was undertaken during February 2017 and highlighted significant concerns in relation to the controls operating over super user accounts in SAP (those making use of the SAP_ALL access profile) and the number of users with direct access to the Northgate database.</p> <p data-bbox="446 745 1339 886">As a result of these issues we were unable to place reliance upon automated and partially automated controls operating within SAP and Northgate. This includes controls around the posting and authorisation of journals. We have reduced the threshold against which we designed our audit procedures and completed additional substantive where we could not rely on controls.</p> <p data-bbox="446 907 1339 965">Management have informed us that they are already in the process of implementing changes to address the weaknesses identified through our audit.</p>

Judgements

We have considered the level of prudence within key judgements in your 2016/17 financial statements and accounting estimates. We have set out our view below across the following range of judgements.



Subjective areas	2016/17	2015/16	Commentary
Provisions (excluding NDR)	3	3	The provisions balance (excluding NDR) has increased by £0.1million, mainly due to reductions in Legal Claims and Land Charges being offset by three additional provisions recognised during the year. No concerns have been identified as a result of our work.
NDR provisions	2	2	In 2013/14, local authority funding arrangements meant that the Authority became responsible for a proportion of successful rateable value appeals. Wiltshire Council has provided for a fixed 2.5% of outstanding appeals in accounting for the potential liability. The NDR provision has moved to £1.9m from £1.7m, with the 2015/16 provision fully used in the year. The Authority still remains towards the cautious side of the prudence range and is considered to have sufficient provisions in place. Despite this, the Authority may wish to review its Non-Domestic Rates (NDR) provisions to ensure it remains in line with applicable accounting guidance and reflects the most appropriate methodology. In doing so, the Authority could make use of historic data on the level of successful appeals since 2013/14.
PPE: HRA assets	0	3	The Authority continues its use of the beacon methodology in line with the DCLG's <i>Stock Valuation for Resource Accounting</i> published in November 2016. The Authority has utilised an external valuation expert to provide valuation estimates. We have reviewed the instructions provided and deem that the valuation exercise is in line with the instructions. The resulting increase of 6.88% is in line with industry standard indices. We have also compared the regional adjustment factor used as part of the Beacon Valuation methodology to the DCLG guidance. The valuer has used the previous regional adjustment factor of 31%, rather than the 35% indicator suggested in the latest DCLG guidance. This has caused a material difference, understating HRA Assets by £32.6 million. This is corrected in the final version of the financial statements, resulting in the final position being within our acceptable range.
PPE: Non HRA Assets	3	3	The Authority has a three year rolling programme of assets to be revalued. In 2016/17, the assets revalued included secondary schools, car parks, public conveniences and cemeteries. There were also other various miscellaneous buildings and new additions that had been revalued during the year. We have assessed the competence of the valuer used and have confirmed that the 3 year rolling programme ensures coverage over the Authority's asset base.
Pension Liability	4	3	The change in pension liability is largely drive by a change in assumptions applied by the actuary, reflecting movements in the changing economic climate. Judgements are complex and numerous. These assumptions have been compared to a PWC review of the actuary, as well as KPMG's own actuarial specialists. The assumptions for RPI Inflation, Salary Increased and Discount rate were within our expectations. The actuary has reduced salary increase rate from 4.2% per annum to 2.7% per annum which is a larger than expected movement. Whilst we believe this is still an acceptable figure, this has meant a more optimistic valuation is used than the prior year.

Proposed opinion and audit differences

Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion on the Authority's 2016/17 financial statements following approval of the Statement of Accounts by the Audit Committee on 26 July 2017.

Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

The final materiality level for this year's audit was set at £12.0 million. Audit differences below £0.6 million are not considered significant. See Appendix 4 for more information on materiality.

We identified one material misstatement that has been corrected by the authority (see Appendix 3, item 3). We identified a limited number of further issues that have been adjusted by management but they do not have a material effect on the financial statements. These adjusted differences have been set out in Appendix 3.

The tables on the right illustrate the total impact of audit differences on the Authority's movements on the General Fund and HRA for the year and balance sheet as at 31 March 2017.

There is no net impact on the General Fund or HRA as a result of audit adjustments identified. The value of the Authority's assets and unusable reserves as at 31 March 2017 increases by £34.2 million however. This is the result of amendments as a result of the Authority's valuers using the incorrect regional adjustment factor when valuing the Authority's council housing stock.

In addition, we identified a number of presentational adjustments required to ensure that the accounts are compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 ('the Code'). We understand that the Authority will be addressing these where significant.

Movements on the general fund and HRA 2016/17			
£m	Pre-audit	Post-audit	Ref ¹
Surplus/(Deficit) on the provision of services	(2.9)	(3.6)	2 & 3
Adjustments between accounting basis and funding basis under Regulations	10.4	11.1	2 & 3
Transfers (to)/from Earmarked Reserves	(4.5)	(4.5)	
Increase in General Fund and HRA	3.0	3.0	
Consisting of:			
Increase in General Fund	0.3	0.3	
Increase in HRA	2.7	2.7	

Balance sheet as at 31 March 2017			
£m	Pre-audit	Post-audit	Ref ¹
Property, plant and equipment	1,059	1,083	3
Other long term assets	36	36	
Current assets	131	131	
Current liabilities	(118)	(118)	1
Long term liabilities	(1,053)	(1,053)	
Net worth	45	79	
General Fund	(13)	(13)	
HRA Balance	(23)	(23)	
Other usable reserves	(76)	(76)	
Unusable reserves	67	33	3
Total reserves	(45)	(79)	

¹ See referenced adjustments in Appendix 3.

Section two: financial statements

Annual governance statement

We have reviewed the Authority's 2016/17 Annual Governance Statement and confirmed that:

- It complies with *Delivering Good Governance in Local Government: A Framework published by CIPFA/SOLACE*; and
- It is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

We have made a number of comments in respect of its format and content which the Authority has agreed to amend where significant.

Narrative report

We have reviewed the Authority's 2016/17 narrative report and have confirmed that it is consistent with the financial statements and our understanding of the Authority.

The Pension Fund

Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion on the Pension Fund's 2016/17 financial statements following approval of the Statement of Accounts.

Pension fund audit

Our audit of the Fund also did not identify any material misstatements.

In addition, we identified a small number of presentational adjustments required to ensure that the accounts are compliant with the Code. We understand that the Fund will be addressing these where significant.

Annual report

We have not yet reviewed the Pension Fund Annual Report and as a result are yet to confirm that the financial and non-financial information it contains is not inconsistent with the financial information contained in the audited financial statements.

As we have not yet reviewed the Pension Fund Annual Report but we will withhold our audit certificate until the work on the Annual Report is completed.

Fund account as at 31 March 2017		
£m	Pre-audit	Post-audit
Opening net assets of the Fund	1,839	1,839
Contributions	99	99
Benefits	(84)	(84)
Management expenses	(11)	(11)
Return on investments	344	344
Closing net assets of the Fund	2,187	2,187

Net assets as at 31 March 2017		
£m	Pre-audit	Post-audit
Net investments	2,174	2,174
Net current assets	13	13
Net assets of the Fund	2,187	2,187

Accounts production and audit process

Our audit standards (*ISA 260*) require us to communicate our views on the significant qualitative aspects of the Authority's accounting practices and financial reporting.

We also assessed the Authority's process for preparing the accounts and its support for an efficient audit. The efficient production of the financial statements and good-quality working papers are critical to meeting the tighter deadlines.

KPMG Central

The Authority continues to use KPMG Central, which was first introduced to the audit process in 2014/15. KPMG Central has allowed the team to securely transfer large amounts of data between the Authority and the audit team. KPMG Central aligns to our Accounts Audit Protocol and allows the Authority's Closedown Team to efficiently share requested information. The use of this portal was limited in 2016/17 due to set up issues arising from the migration of the system to SharePoint 2013, although it is expected this will be used in full again for 2017/18.

Accounting practices and financial reporting

The Authority has prepared its accounts in accordance with an earlier deadline than required by statute since 2015/16. As a result, the Authority is well prepared for the changes to statutory deadlines for 2017/18.

We consider the Authority's accounting practices appropriate, except for the way the Authority has accounted for revaluations of investment properties. We have communicated this to management as part of the audit difference raised in appendix 3.

Completeness of draft accounts

We received a complete set of draft accounts on 2 June 2017, far ahead of the statutory deadline.

Quality of supporting working papers

We issued our *Accounts Audit Protocol 2016/17* ("Prepared by Client" request) in January 2017 which outlines our documentation request. This helps the Authority [and the Pension Fund] to provide audit evidence in line with our expectations.

We worked with management to ensure that working paper requirements are understood and aligned to our expectations. We are pleased to report that this has resulted in good-quality working papers with clear audit trails.



Section two: financial statements

Response to audit queries

We expect that where possible, audit enquires have a turnaround time of two working days. We are pleased to report that this was achieved by Officers, including those who are not part of the finance team. As a result of this, all our audit work is expected to be completed within the timescales agreed. At current, the following areas are ongoing:

- Completion of our final assessment of the assumptions used by the actuary;
- Updating our assessment of subsequent events;
- Receipt of the management representation letter; and
- Receipt and review of the final version of the financial statements.

Prior year recommendations

As part of our audit we have specifically followed up the Authority's progress in addressing the recommendations in last years ISA 260 report.

The Authority has implemented all non- IT related recommendations in our ISA 260 Report 2015/16. We will issue a separate report detailing the progress made against previous IT recommendations.

Appendix 2 provides further details.

Completion

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's 2016/17 financial statements.

Before we can issue our opinion we require a signed management representation letter.

Once we have finalised our opinions and conclusions we will prepare our Annual Audit Letter and close our audit.

Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of Wiltshire Council and Wiltshire Pension Fund for the year ending 31 March 2017, we confirm that there were no relationships between KPMG LLP and Wiltshire Council and the Wiltshire Pension Fund, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 5 in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Michael Hudson for presentation to the Audit Committee. We require a signed copy of your management representations before we issue our audit opinion.

Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- Significant difficulties encountered during the audit;
- Significant matters arising from the audit that were discussed, or subject to correspondence with management;
- Other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- Matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc.).

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Authority's 2016/17 financial statements.



Section three

Value for money

Our 2016/17 VFM conclusion considers whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We have concluded that the Authority has made proper arrangements to ensure it took properly-informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

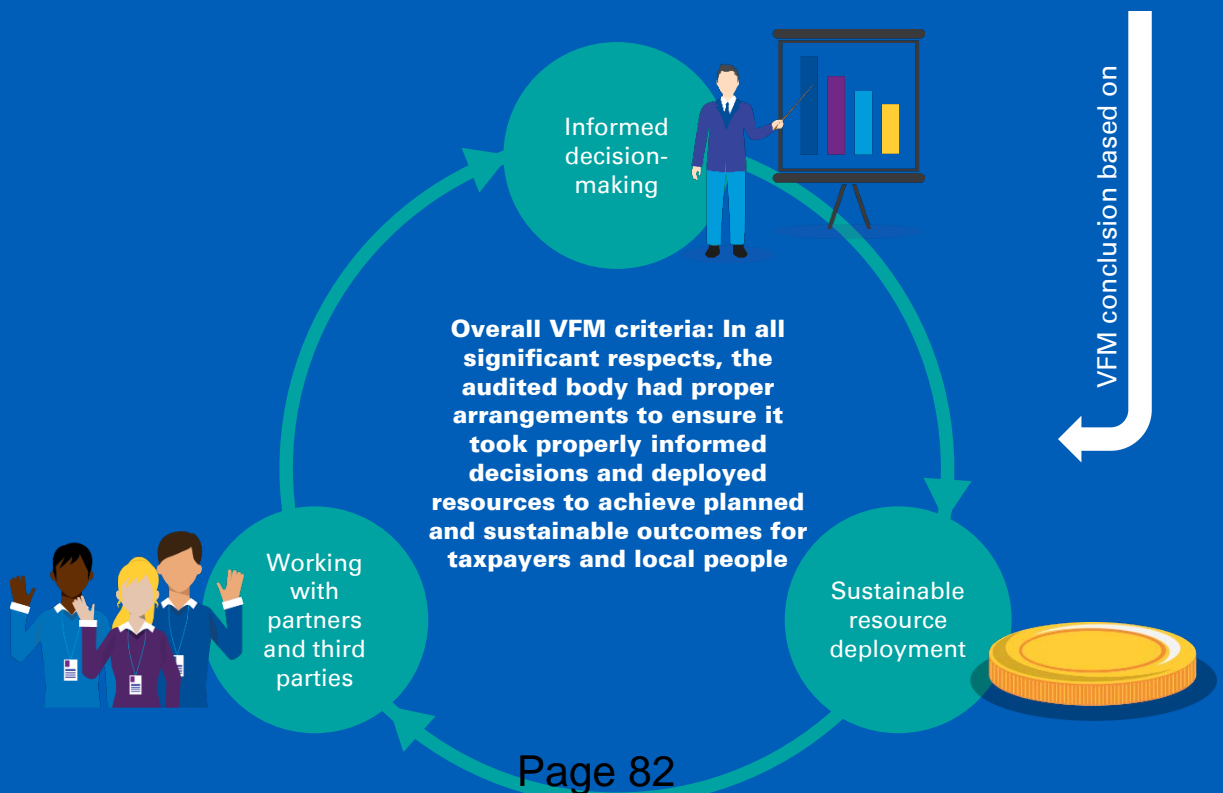
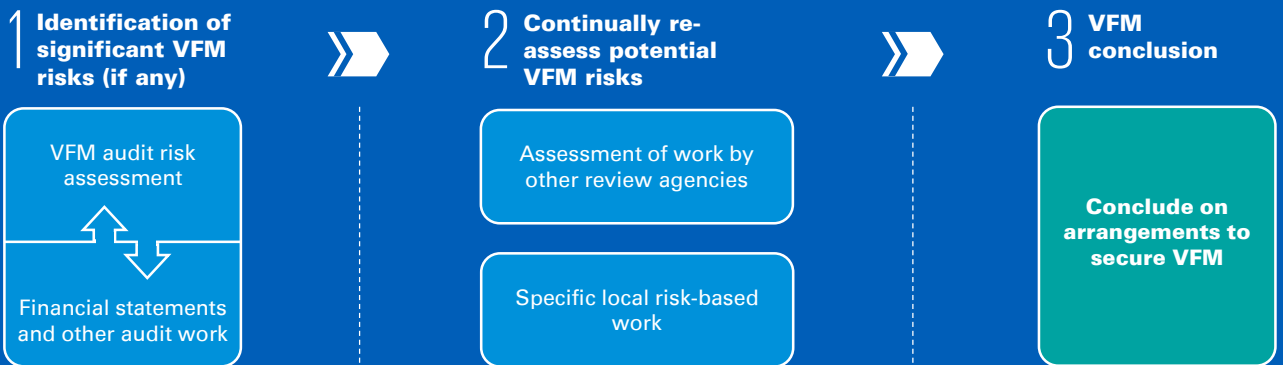
VFM conclusion

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

Our VFM conclusion considers whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We follow a risk based approach to target audit effort on the areas of greatest audit risk.



VFM conclusion - headline results

The table below summarises our assessment of the significant VFM audit risk identified against the three sub-criteria. This directly feeds into the overall VFM criteria and our value for money opinion.

VFM assessment summary			
VFM risk	Informed decision-making	Sustainable resource deployment	Working with partners and third parties
1. Delivery of Savings Plans	✓	✓	✓
Overall summary	✓	✓	✓

In consideration of the above, we have concluded that in 2016/17, the Authority has made proper arrangements to ensure it took properly-informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

In line with the risk-based approach set out on the previous page, and in our External Audit Plan we have :

- assessed the Authority’s key business risks which are relevant to our VFM conclusion;
- identified the residual audit risks for our VFM conclusion, taking account of work undertaken in previous years or as part of our financial statements audit; and
- Performed testing over the identified risk areas during our final audit visit.

Further details on the work done and our assessment are provided on the following pages.

Significant VFM risks

We identified one significant VFM risk, as communicated to you in our 2016/17 External Audit Plan. We are satisfied that external or internal scrutiny provides sufficient assurance that the Authority’s current arrangements in relation to these risk areas are adequate.

Significant VFM risks **Work performed**

1. Delivery of Savings Plans **Why is this a risk?**

There has been a significant shift in the national outlook over the last 12 months, primarily driven by the outcome of the referendum on 23 June 2016 on the UK’s membership of the European Union. Consequently GDP growth forecasts have been revised downwards, which potentially reduces the level of any growth in business rates income. Inflationary pressures, service pressures, and a reduction in the local government finance settlement will impact on the Authority’s finances.

In October 2016, the Authority published a draft Medium Term Financial Plan (MTFP) 2017/18–2021/22 (which incorporates its Efficiency Plan) that sets out a balanced budget for 2017/18.

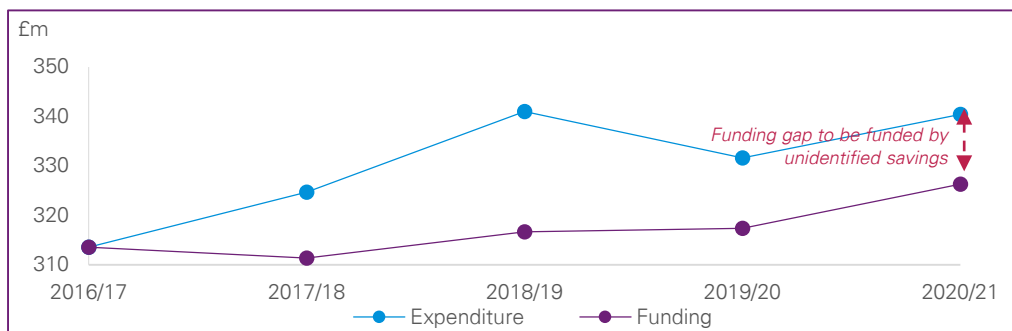
From 2018/19, the Authority has identified funding gaps; however it is confident that the targets in the Efficiency Plan are sufficient to bridge the forecast gap in the MTFP and are monitored by the management board. The Authority’s proposed arrangements include a 2% yearly increase in Council Tax and reducing the number of budget holders to ensure accountability.

Summary of our work

Like most of local government, the Authority faces a challenging future driven by funding reductions and an increase in demand for services. At a local level, this is compounded by the Authority’s financial pressures.

Post-audit, the Authority is reporting an overall £3.6 million deficit on its Provision of Services in 2016/17 after the increase of £4.5 million to the Earmarked reserves. This enabled the General Fund balance to return an additional £0.3 million for 31 March 2017.

The Authority’s MTFP details a balanced budget for 2017/18 including savings of £13.3 million in year, which have been partly identified. However, the MTFP details the increasingly difficult financial challenges faced each year, resulting in the need for ever rising savings which have yet to be identified, up to £24.3 million by 2018/19. We have reviewed the Medium Term Financial Plan and assessed its reasonableness. Whilst it is believed that the plan is broadly suitable, it will be challenging to deliver the transformational change needed to meet future savings targets. However, the Authority has continued to achieve savings targets for 2016/17 and therefore should be well positioned to achieve future requirements.



A close-up photograph of a stack of books on a wooden surface. The books have various colored covers, including a prominent red one. A silver pen lies horizontally in the foreground, its tip pointing towards the left. The background is softly blurred, showing more books and a warm, natural light source.




Appendices

Key issues and recommendations

Our audit work on the Authority's 2016/17 financial statements have identified a number of issues. The summary of these issues have been included here. However, due to the nature of the IT issues, we have issued a separate report to management further detailing our recommendations.

The Authority should closely monitor progress in addressing the risks, including the implementation of our recommendations. We will formally follow up these recommendations next year.


Each issue and recommendation have been given a priority rating, which is explained below.

-  **High priority** Issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.
-  **Medium priority** Issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.
-  **Low priority** Issues that would, if corrected, improve internal control in general but are not vital to the overall system. These are generally issues of good practice that we feel would benefit if introduced.

The following is a summary of the issues and recommendations raised in the year 2016/17.

2016/17 recommendations summary	
Priority	Total raised for 2016/17
High	1
Medium	0
Low	0
Total	1

Key issues and recommendations (continued)

Rating	Issue and Recommendation	Management Response
 <p>High priority</p>	<p>IT Control Failures</p> <p>As a result of our audit work over the Authority's IT systems we identified a number of significant weaknesses. As a result of this, we were unable to place reliance upon the automated controls operating within these systems and additional work was required in order to gain assurance over system reports. The control failings identified can be summarised as follows:</p> <p><i>SAP IT Issues</i></p> <p>The Authority had previously implemented a process to monitor the use of the extremely powerful SAP_ALL access profile. Due to staffing changes in August 2016, these accounts were not appropriately monitored during the year after that period.</p> <p>Therefore, there was a potential during the year to have unlimited access to change system parameters and alter audit trails without detection.</p> <p><i>Northgate IT Issues</i></p> <p>There are a high number of Northgate accounts which have access to systems underlying database. The testing performed in 2016/17 has confirmed that this includes the ability to delete records and change reporting functionality without testing or approval.</p> <p>These issues have meant that extensive additional testing had to be performed in the year, including lowering the performance materiality threshold and increased substantive testing over management provided reports.</p> <p>Due to the critical and sensitive nature of the issues identified, a separate IT report has been issued detailing the full range of SAP issues and our recommendations.</p> <p>Recommendation</p> <p>Ensure that the agreed recommendations set out in the separate IT report are actioned in a timely manner.</p>	<p><i>SAP IT Issues</i></p> <p>Point agreed and actions taken. All access was removed from all dialog SAP accounts at various points during the financial year, with the last one removed 5 January 2017. No dialog users therefore now have access to SAP-ALL. Action now complete, but area will be continually reviewed as part of normal controls procedures.</p> <p><i>Northgate IT Issues</i></p> <p>Point agreed and actions taken. Immediate action was taken to clear out all user accounts that have no need to access the domain at this level. Accounts were also removed during the 2016/2017 financial year. Action now complete, but area will be continually reviewed as part of normal controls procedures.</p> <p><i>Other</i></p> <p>The other medium and low risk IT issues have also been discussed and appropriate actions taken. Most have actions have already been completed.</p> <p>Responsible Officer</p> <p>Steve Vercella (Head of ICT)</p> <p>Deadline for Implementation</p> <p>High risk areas Complete. Most medium and low risk already complete, but final target 31/12/2017</p>

Follow-up of prior year recommendations

In the previous year, we raised nine recommendations which we reported in our *External Audit Report 2015/16 (ISA 260)*. The Authority has not implemented all of the recommendations. We re-iterate the importance of the outstanding recommendations and recommend that these are implemented by the Authority.

We have used the same rating system as explained in Appendix 1.

Each recommendation is assessed during our 2016/17 work, and we have obtained the recommendation’s status to date. We have also obtained Management’s assessment of each outstanding recommendation.


Below is a summary of the prior year’s recommendations.

2015/16 recommendations status summary (Non-IT)

Priority	Number raised	Number implemented / superseded	Number outstanding
High	-	-	-
Medium	-	-	-
Low	1	-	-
Total	1	-	-

2015/16 recommendations status summary (IT)

See Separate IT Report

Rating	Issue and Recommendation	Management Response
 Low priority	<p>2. Narrative Statement</p> <p>The is the first year under which the Authority must report a narrative statement at the beginning of the Statement of Accounts, this has replaced the explanatory foreword however it is intended to provide a greater focus upon the Authority’s operational performance throughout the year, including non-financial metrics. The draft narrative statement submitted by the Authority is largely a rolled forward explanatory foreword rather than a bespoke narrative statement.</p> <p>Recommendation</p> <p>The narrative statement should be rewritten for the 2016/17 statement of accounts to ensure that it fully adheres to the CIPFA Code guidance.</p>	<p>Management original response</p> <p>Agreed, guidance has just been issued by CIPFA and the s151 Officer has been engaged in the production of those notes and will draft an early template for 2016/17 based on the 2015/16 Accounts.</p> <p><i>Owner</i></p> <p>Michael Hudson (Associate Director of Finance)</p> <p><i>Original deadline</i></p> <p>7 April 2017</p> <p>KPMG’s July 2017 assessment</p> <div style="background-color: #00a651; color: white; padding: 5px; text-align: center; border-radius: 10px;"> Fully implemented </div> <p>We have reviewed the Narrative Statement for 2016/17 and believe it is now much more comprehensive and in line with the CIPFA code guidance.</p>

Audit differences

We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance (which in your case is the Audit Committee). We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

A number of amendments focused on presentational improvements have also been made to the 2016/17 draft financial statements. These have been communicated with management and we will confirm these have been changed once we receive the final set of financial statements.

Adjusted audit differences

The following table sets out the significant audit differences identified by our audit of Wiltshire Council’s financial statements for the year ended 31 March 2017. The current figures are provisional based on our current discussions with management. It is our understanding that these will be adjusted. However, we have not yet received a revised set of financial statements to confirm this.

Table 1: Adjusted audit differences (£'000)						
No.	Income and expenditure statement	Movement in reserves statement	Assets	Liabilities	Reserves	Basis of audit difference
1				Dr Sundry Creditors £6,903 Cr Local Authority Creditors (£6,903)		This was a misallocation in Note 28 Short Term Creditors for a balance owed to Swindon Borough Council.
2	Dr Net Cost of Service £1,109 Cr Financing and Investment Income (£744) Cr (Surplus) or Deficit on Revaluation of PPE (£365)	Dr Adjustments between Accounting Basis and Funding Basis (Unuseable Reserves) £365 Cr Adjustments between Accounting Basis and Funding Basis (Useable Reserves – General Fund) (£365)			Dr Revaluation Reserve £347 Cr Capital Adjustment Account (£347)	Per IPSAS 16, gains and losses arising from fair value adjustments should be immediately recognised as Financing and Investment Income through the CIES rather than the revaluation reserve. As this is not a not a proper charge to the General Fund, these revaluations are then reversed out to the Capital Adjustment Account. The Authority has recognised elements of the accounting treatment correctly, although adjustments were needed between the CIES categories and the reserve balances.

Audit differences (continued)

Table 1: Adjusted audit differences (£'000)						
No.	Income and expenditure statement	Movement in reserves statement	Assets	Liabilities	Reserves	Basis of audit difference
3	Dr Other Operating Expenditure £248 Cr (Surplus) or Deficit on Revaluation of PPE (£34,242)	Dr Adjustments between Accounting Basis and Funding Basis (Unuseable Reserves) £248 Cr Adjustments between Accounting Basis and Funding Basis (Useable Reserves - HRA) (£248)	Dr Property Plant and Equipment £33,994		DR Capital Adjustment Account £248 Cr Revaluation Reserve (£34,242)	The Authority uses an external valuer to value HRA and PFI Beacon properties. DCLG guidance states that an adjustment factor of 35% should be used to reflect the ratio between private and public sector rent and yields. However, the previous rate of 31% has instead been used. This has caused a material difference. As the valuation was undertaken as at 31 March 2017, there is no impact on the depreciation charges in the year.
	(£33,994)	-	£33,994	-	(£33,994)	Total impact of audit differences

Materiality and reporting of audit differences

The assessment of what is material is a matter of professional judgment and includes consideration of three aspects: materiality by value, nature and context.

Material errors by value are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.

Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.

Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We used the same planning materiality reported in our External Audit Plan 2016/17, presented to you in March 2017.

Materiality for the Authority's accounts was set at £12 million which equates to around 1.2 percent of gross expenditure. We designed our procedures to detect errors in specific accounts at a lower level of precision, set at £7.5 million for 2016/17. As set out in our *External Audit Plan*, this was set at a level lower than would normally be applied as a result of the IT issues encountered during the year.

Reporting to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any misstatements of lesser amounts to the extent that these are identified by our audit work.

Under *ISA 260*, we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. *ISA 260* defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

ISA 450 requires us to request that uncorrected misstatements are corrected.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.6 million for the Authority.

Where management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

Materiality – Pension fund audit

The same principles apply in setting materiality for the Pension Fund audit. Materiality for the Pension Fund was set at £25 million which is approximately 1.1 percent of gross assets.

We design our procedures to detect errors at a lower level of precision, set at £18.5 million for 2016/17.

Declaration of independence and objectivity

Auditors appointed by Public Sector Audit Appointments Ltd must comply with the Code of Audit Practice (the 'Code') which states that:

"The auditor should carry out their work with integrity, objectivity and independence, and in accordance with the ethical framework applicable to auditors, including the ethical standards for auditors set by the Financial Reporting Council, and any additional requirements set out by the auditor's recognised supervisory body, or any other body charged with oversight of the auditor's independence. The auditor should be, and should be seen to be, impartial and independent. Accordingly, the auditor should not carry out any other work for an audited body if that work would impair their independence in carrying out any of their statutory duties, or might reasonably be perceived as doing so."

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Public Sector Audit Appointments Ltd Terms of Appointment ('Public Sector Audit Appointments Ltd Guidance') and the requirements of APB Ethical Standard 1 Integrity, Objectivity and Independence ('Ethical Standards').

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Public Sector Audit Appointments Ltd guidance requires appointed auditors to follow the provisions of *ISA (UK&I) 260 'Communication of Audit Matters with Those Charged with Governance'* that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.
- The related safeguards that are in place.
- The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our Annual Audit Letter.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor's professional judgement, the auditor is independent and the auditor's objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor's objectivity and independence may be compromised and explaining the actions which necessarily follow from this. These matters should be discussed with the Audit Committee. Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Engagement Lead and the audit team.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP Audit Partners and staff annually confirm their compliance with our Ethics and Independence Manual including in particular that they have no prohibited shareholdings.

Our Ethics and Independence Manual is fully consistent with the requirements of the Ethical Standards issued by the UK Auditing Practices Board. As a result we have underlying safeguards in place to maintain independence through: Instilling professional values, Communications, Internal accountability, Risk management and Independent reviews.

We would be happy to discuss any of these aspects of our procedures in more detail.

Auditor declaration

In relation to the audit of the financial statements of Wiltshire Council and Wiltshire Pension Fund for the financial year ending 31 March 2017, we confirm that there were no relationships between KPMG LLP and Wiltshire Council and Wiltshire Pension Fund, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

Non-audit work and independence

Below we have listed the non-audit work performed and set out how we have considered and mitigated (where necessary) potential threats to our independence.

Summary of non-audit work			
Description of non-audit service	Estimated fee	Billed to date	Potential threat to auditor independence and associated safeguards in place
Review of the Medium Term Financial Plan	£25,000	£6,250	<p>Management threat: The nature of this work is to review the assumptions and conclusions as part of the Medium Term Financial planning process. The audit team do not have any direct involvement in the budgeting process and are not making any management decisions. Any recommendations raised as part of the review are ultimately up to the discretion of management whether to implement and is for advisory purposes only.</p> <p>The nature of this work is more detailed than that undertaken required to fulfil our responsibilities under the Value for Money element of our audit.</p> <p>We have determined that no actual independence threat arises.</p>
Grants Certification (Housing Benefits, Teachers Pensions Return and Pooling of Housing Capital Receipts)	£27,165	£21,165	<p>The certification of the Housing Benefits Subsidy return forms part of our contractual responsibilities as the Authority's appointed auditor. The Teacher's Pensions Agency return also formed part of these responsibilities until it was removed from the PSAA certification regime in 2013/14. The nature of these audit-related services is such that we do not consider it to create any independence threats.</p>
Total estimated fees		£27,410	
Total estimated fees as a percentage of the external audit fees		16%	

Appendix 6

Audit fees

Audit fees

As communicated to you in our External Audit Plan 2016/17, our scale fee for the audit is £167,420 plus VAT which is a consistent with the prior year. However, an additional fee will be required due to additional work undertaken in relation to the IT control failures. We are in the process of assessing the extent of additional work that was required in relation to this and will agree the additional fee with the Associate Director (Finance) by the end of July. This fee will also be subject to approval by PSAA. See table below for further detail.

Our work on the certification of Housing Benefits (BEN01) is planned for August 2017. The planned scale fee for this is £21,165 plus VAT (this is higher than the fee charged in 2015/16 as a result of PSAA's approach to determining these fees). Planned fees for other grants and claims which do not fall under the PSAA arrangements is £6,000 plus VAT in 2016/17, see further details below.

Fee table		
Component of audit	2016/17 (planned fee) £	2015/16 (actual fee) £
Accounts opinion and use of resources work		
PSAA scale fee (Wiltshire County)	167,420	167,420
PSAA scale fee (Wiltshire Pension Fund)	£24,246	£24,246
Additional work to conclude our opinions (relating to IT issues)	TBC	N/A
Subtotal	TBC	£191,666
Housing benefits (BEN01) certification work		
PSAA scale fee – planned for August 2017	£21,165	£16,916
Other grants certification work		
Teachers Pension Return – planned for August 2017	£3,000	£3,000
Pooling of Housing Capital Receipts Return – planned for August 2017	£3,000	£3,000
Total fee for the Authority	TBC	£214,585

All fees are quoted exclusive of VAT.



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WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD

18 October 2017

Guaranteed Minimum Pension Project Update

Purpose of the Report

1. With the introduction of the Single State Pension and abolition of Contracting-out in 2016 a reconciliation of Guaranteed Minimum Pension records is required between HMRC and the Fund's records. The purpose of this report is to provide an update on the progress of the project.

Background

2. With the introduction of the Single State Pension in April 2016, contracted-out status ceased and HMRC have informed pension schemes of its intention to phase out its contracted-out section by December 2018.
3. As the LGPS was a contracted-out pension scheme, Wiltshire Pension Fund (WPF) has obligations as to certain pension provisions connected with the State Second Pension. From April 1978 to April 1997 pensions paid by WPF had to cover the equivalent pension that the member would have accrued if they had been receiving the State Second Pension. This pension is known as the Guaranteed Minimum Pension (GMP).
4. WPF is responsible for certain elements with regards to pension increases on the GMP. The LGPS was required to meet a scheme reference test for members contracted out between April 1997 and April 2016 so a GMP wasn't required. Appendix 1 summarises how the GMP is paid and by whom.
5. Following the end of contracting out in April 2016, HMRC are proposing to send a statement to all individuals affected stating the amount of their GMP and who is responsible for paying the equivalent pension amount after December 2018.
6. Before this, schemes have been advised to reconcile the GMP values and dates they hold for their members with those calculated by HMRC or could face making overpayments to existing members and even accept a liability for individuals for whom they have no responsibility.
7. Until December 2018, schemes can challenge the figures where they believe discrepancies are the result of errors on HMRC's part, after this date, no further challenges will be accepted. There is therefore a limited window to make sure our own records tally with HMRC's.
8. WPF have registered with HMRC who have provided lists for both active members at 5/4/2016 (15,645) and non-active members (42,914 (30,603 original + 12,311 revalued file) and who they consider that WPF have a responsibility for a period of contracted-out membership. An extended comparison of these lists and our records has been carried out.
9. Errors in GMP values can lead to potentially significant pension overpayments. Based on findings from the National Audit Office's enquiry into five public sector schemes, it has

been estimated that the total overpayment on existing deferred and pensioner members within a small pension fund could be around £550,000.

Considerations for the Board

10. WPF have been proactive in resourcing this project and recruited two Data Quality Analysts in 2015 to specifically focus on the GMP reconciliation project.

11. The project will

- Identify the member records affected, including those records where the fund and HMRC differ over responsibility for the liability.
- Reconcile member data, including service, held by the fund to records provided by HMRC.
- Identify any GMP liability that is not currently held on the record, e.g. at date of death where spouse's pension applies.
- Accelerate the investigation process by indicating likely causes of any mismatches.
- Ultimately, adjust any pensions on payroll if GMP is currently incorrect

12. The attached Appendix 2 (actives) and Appendix 3 (non-actives) shows the progress of the reconciliation to date in terms of cases reviewed, checks completed, and referred to HMRC.

Areas already identified within process that need consideration

13. There are records that are on HMRC's list but not on WPF records. Reasons for mismatches are:

- National Insurance (NI) end letter differences & mismatches on NI Numbers
- Former Teachers (the Contracting out Employer reference number for LGPS and the Teacher's Scheme is the same) and some teachers have appeared on the HMRC lists for the WPF.
- HMRC contracting out dates are not exact and often refer to start of a relevant tax year, within a year's tolerance WPF will agree it.
- No GMP recorded on record type but document is on file, then returned to HMRC to agree
- No GMP details on some dependant records, WPF will update the members record
- The WPF has split records but HMRC don't combine records
- Members Service history lines missing, WPF will add to its members' record
- Basic errors on HMRC file (e.g. Surname shown as Mr John Sm instead of Smith)
- Multiple Records are provided by HMRC, WPF needs to identify which record is for which GMP and update
- Employers have used the wrong NI rate, WPF is highlighting this issue with them.

Future decisions to be made

14. The active and deferred members' records can be corrected. WPF is currently working with its pension software provided (Heywood's) to enable a bulk upload to its members record for the completed cases.
15. There are continuing discussions taking place nationally regarding certain tolerances for pension funds to be use. The current guidance states they need to decide their tolerance rates locally, although as a guide recommended levels are:
 - *GMP amounts:* Plus or minus £2 per week
 - *Contracted-out dates:* within a relevant tax year
16. This is the basis the WPF is currently using to correct its records.

Potential Adjustments to Pensions in payment

17. Rectification of any pensioners' benefits will be required due to the following:

Underpayments

These will occur where WPF are using a higher GMP figure than that held by HMRC resulting in member not receiving the correct pensions increase.

Overpayments

These will occur where GMP is lower than HMRC or where no GMP is recorded on the member record. This will result in members getting pension increase twice on the GMP element (from WPF and on State Pension). Whilst any post 1988 accrued GMP would only produce an overpayment where the increase was in excess of 3% any pre 1988 would be on the total GMP figure.

18. Any changes to pension benefits will require an amendment to the SAP Pension Payroll system and an agreed policy for the treatment and recovery of any over / under payments.
19. The problem with making the above adjustments is the extent and any over or underpayments cannot be ascertained without completing the reconciliation exercise and agreeing the tolerance levels to use.
20. Therefore, officers plan to update the Pension Committee once the reconciliation exercise is complete for its pensioners and agree the policy for amending and correcting pensions thus.

Environmental Impact of the Proposal

21. Not applicable.

Financial Considerations & Risk Assessment

22. There will be financial implications from the GMP reconciliation exercise, although this cannot be established until the completion of the project. The cost of the project is being funded from the operational costs of the Fund outlined in its budget.
23. The GMP exercise is highlighted as a risk on the Risk Register elsewhere on this agenda and the Fund has ensured adequate resources are allocated to this project.

Legal Implications

24. There are no material legal implications from this report at this stage.

Safeguarding Considerations/Public Health Implications/Equalities Impact

25. There are no known implications at this time.

Reasons for Proposals

26. To update the Board on the progress of the GMP reconciliation project.

Proposals

27. The Board is asked to note the progress of the GMP Project.

MICHAEL HUDSON
Treasurer to the Pension Fund

Report Author: David Anthony, Head of Pensions

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

How Pension increase works when a GMP applies

Member has pension of £400 with a GMP of £200 of which £100 was before April 1988 and £100 after. The member also accrued pension of £100 before and after the GMP applied [pre 1978 and pre 1997]

A pension increase of 4% would be calculated as follows:

Period		Pension	Pensions Increase	
	Total	£400	4%	£16
Pension Increase Calculation				
	Paid by		WPF	Government
Pre 78	All WPF	£100	£ 4	£0
GMP 78 - 88	All Government	£100	£ 0	£4
GMP 88 – 97	3% WPF Excess by Government	£100	£ 3	£1
Post 97	All WPF	£100	£ 4	£0
			£11	£5
LGPS revised total		£411		

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Wiltshire Pension Fund GMP rectification project update to 30th September 2017			
Progression of HMRC data file - April 2017 - ACTIVES			
Stage of Progression	Cases processed	Percentage of progression	Description
Cases to action	15645		Number of GMP data lines received from HMRC in file
Completed	11087	70.87%	Member records updated
HMRC	36	0.23%	Member records requiring referral to HMRC
Referral	780	4.99%	Member case requiring further investigation by WPF
Status	0	0.00%	Members who have changed status since receipt of the HMRC data file and WPF require updated GMP information from HMRC
Split	0	0.00%	GMP received from HMRC needs to be split between WPF and other Scheme. HMRC notified
Pending	1490	9.52%	Member case referred to HMRC & awaiting response
Challenged	0	0.00%	HMRC have challenged a "Pending" case and returned it to WPF for action
Total cases actioned	13393	85.61%	
Cases outstanding	2252		
Progression of data NOT on HMRC data file, but on Altair - April 2017 - ACTIVES			
Stage of Progression	Cases processed	Percentage of progression	Description
Cases to action	3318		Number of GMP data lines received from HMRC in file
Completed	3029	91.29%	Member records updated
HMRC	0	0.00%	Member records requiring referral to HMRC
Referral	0	0.00%	Member case requiring further investigation by WPF
Status	0	0.00%	Members who have changed status since receipt of the HMRC data file and WPF require updated GMP information from HMRC
Split	0	0.00%	GMP received from HMRC needs to be split between WPF and other Scheme. HMRC notified
Pending	217	6.54%	Member case referred to HMRC & awaiting response
Challenged	0	0.00%	HMRC have challenged a "Pending" case and returned it to WPF for action
Total cases actioned	3246	97.83%	
Cases outstanding	72		
Wiltshire Pension Fund GMP rectification project update to 30th September 2017			
Total number of records processed			
Stage of Progression	Cases processed	Percentage of progression	Description
Cases to action	18963		Total number of data lines/records to be reviewed
Completed	14116	74.44%	Member records updated
HMRC	36	0.19%	Member records requiring referral to HMRC
Referral	780	4.11%	Member case requiring further investigation by WPF
Status	0	0.00%	Members who have changed status since receipt of the HMRC data file and WPF require updated GMP information from HMRC
Split	0	0.00%	GMP received from HMRC needs to be split between WPF and other Scheme. HMRC notified
Pending	1707	9.00%	Member case referred to HMRC & awaiting response
Challenged	0	0.00%	HMRC have challenged a "Pending" case and returned it to WPF for action
Total cases actioned	16639	87.74%	
Cases outstanding	2324		
NOTE: Cases may change their stage of progression several times before being Completed.			

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Wiltshire Pension Fund			
GMP rectification project update to 30th September 2017			
Progression of HMRC data file - October 2014			
Stage of Progression	Cases processed	Percentage of progression	Description
Cases to action	30603		Number of GMP data lines received from HMRC in file
Completed	18102	59.15%	Member records updated
HMRC	445	1.45%	Member records requiring referral to HMRC
Referral	1077	3.52%	Member case requiring further investigation by WPF
Status	0	0.00%	Members who have changed status since receipt of the HMRC data file and WPF require updated GMP information from HMRC
Split	0	0.00%	GMP received from HMRC needs to be split between WPF and other Scheme. HMRC notified
Pending	69	0.23%	Member case referred to HMRC & awaiting response
Challenged	628	2.05%	HMRC have challenged a "Pending" case and returned it to WPF for action
Total cases actioned	20321	66.40%	
Cases outstanding	10282		
Progression of HMRC data file (Widows GMPs) - May 2015			
Stage of Progression	Cases processed	Percentage of progression	Description
Cases to action	653		Number of GMP data lines received from HMRC in file
Completed	614	94.03%	Member records updated
HMRC	0	0.00%	Member records requiring referral to HMRC
Referral	4	0.61%	Member case requiring further investigation by WPF
Status	0	0.00%	Members who have changed status since receipt of the HMRC data file and WPF require updated GMP information from HMRC
Split	0	0.00%	GMP received from HMRC needs to be split between WPF and other Scheme. HMRC notified
Pending	25	3.83%	Member case referred to HMRC & awaiting response
Challenged	10	1.53%	HMRC have challenged a "Pending" case and returned it to WPF for action
Total cases actioned	653	100.00%	
Cases outstanding	0		
Progression of WPF cases not on an HMRC data file			
Stage of Progression	Cases processed	Percentage of progression	Description
Cases to action	1497		Estimated records in original data report
Completed	1313	87.71%	Member records updated
HMRC	5	0.33%	Member records requiring referral to HMRC
Referral	3	0.20%	Member case requiring further investigation by WPF
Status	0	0.00%	Members who have changed status since receipt of the HMRC data file and WPF require updated GMP information from HMRC
Split	0	0.00%	GMP received from HMRC needs to be split between WPF and other Scheme. HMRC notified
Pending	107	7.15%	Member case referred to HMRC & awaiting response
Challenged	69	4.61%	HMRC have challenged a "Pending" case and returned it to WPF for action
Total cases actioned	1497	100.00%	
Cases outstanding	0		

Progression of HMRC data file (Revalued GMPs) - June 2015			
Stage of Progression	Cases processed	Percentage of progression	Description
Cases to action	12311		Number of GMP data lines received from HMRC in file
Completed	7803	63.38%	Member records updated
HMRC	22	0.18%	Member records requiring referral to HMRC
Referral	42	0.34%	Member case requiring further investigation by WPF
Status	0	0.00%	Members who have changed status since receipt of the HMRC data file and WPF require updated GMP information from HMRC
Split	0	0.00%	GMP received from HMRC needs to be split between WPF and other Scheme. HMRC notified
Pending	18	0.15%	Member case referred to HMRC & awaiting response
Challenged	217	1.76%	HMRC have challenged a "Pending" case and returned it to WPF for action
Total cases actioned	8102	65.81%	
Cases outstanding	4209		
SCH REC PAPER DOCUMENTATION			
Stage of Progression	Cases processed	Percentage of progression	Description
Cases to action	34		Number of GMP data lines received from HMRC in file
Completed	28	82.35%	Member records updated
HMRC	6	17.65%	Member records requiring referral to HMRC
Referral	0	0.00%	Member case requiring further investigation by WPF
Status	0	0.00%	Members who have changed status since receipt of the HMRC data file and WPF require updated GMP information from HMRC
Split	0	0.00%	GMP received from HMRC needs to be split between WPF and other Scheme. HMRC notified
Pending	0	0.00%	Member case referred to HMRC & awaiting response
Challenged	0	0.00%	HMRC have challenged a "Pending" case and returned it to WPF for action
Total cases actioned	34	100.00%	
Cases outstanding	0		
Wiltshire Pension Fund GMP rectification project update to 30th September 2017			
Total number of records processed			
Stage of Progression	Cases processed	Percentage of progression	Description
Cases to action	45098		Total number of data lines/records to be reviewed
Completed	27860	61.78%	Member records updated
HMRC	478	1.06%	Member records requiring referral to HMRC
Referral	1126	2.50%	Member case requiring further investigation by WPF
Status	0	0.00%	Members who have changed status since receipt of the HMRC data file and WPF require updated GMP information from HMRC
Split	0	0.00%	GMP received from HMRC needs to be split between WPF and other Scheme. HMRC notified
Pending	219	0.49%	Member case referred to HMRC & awaiting response
Challenged	924	2.05%	HMRC have challenged a "Pending" case and returned it to WPF for action
Total cases actioned	30607	67.87%	
Cases outstanding	14491		

NOTE: Cases may change their stage of progression several times before being Completed.

WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD
18 October 2017

Annual Benefits Statements Publication

Purpose of the Report

1. The purpose of this report is to update the Board on the production of the Annual Benefit Statements (ABSs) to its active and deferred members. These statements provide members with an estimated position of their pension at retirement age, based on the data currently held by the fund. This year around 19,000 active members' statements and 28,000 deferred members' statements have been produced and mailed.

Background

2. The Public Service Pensions Acts 2013 introduced the requirement to produce ABSs by the 31 August each year, five months following year end. This is a challenging target for all pension funds, particularly those in the LGPS due to the number of employer organisations it must obtain year end data from.
3. For the 2017 exercise the Fund had reviewed its processes and resources and changed the design and format of the statement from previous years to ensure it achieved the deadline.

Key Considerations for the Committee

4. The ABSs were produced in-house and sent externally for printing and postage. These documents were all mailed by 29 August 2017 ahead of the statutory deadline.
5. The table below outlines the numbers sent.

Annual Benefit Statements 2017

ACTIVES	Nos.	DEFERRED	Nos.
Statements Issued	18,782	Statements Issued	27,855
Errors / incomplete data	870	Errors / incomplete data	82
Total Statement	19,652	Total Statement	27,937
% age actioned	95.6%	% age actioned	99.7%
% age error	4.4%	% age error	0.3%

6. Notwithstanding the effort the team put into cleansing all the year-end data, there are some statements which cannot be sent due to incomplete / inconsistent information. The majority are rectified by working with the employers and the Fund's tracing agency but a small number remain outstanding at publication date and will be issued a statement as soon as the record can be updated.
7. As in previous years a post project review will be undertaken by officers to examine learning points and build in developments to ensure the 2018 ABS are also delivered within the statutory timeframes.

Financial Considerations & Risk Assessment

8. There are no additional financial costs than those included within the administration budget.
9. The risk of non-compliance is covered elsewhere on this agenda under *PEN08: Failure to comply with LGPS and other regulations*. Reputational risk is the main concern to the Fund for non-compliance.

Legal Implications and Environmental Impact of the Proposal

10. There are no significant implications arising from this report.
11. There is no environmental impact from the proposals.

Safeguarding Considerations/Public Health Implications/Equalities Impact

12. There are no known implications at this time.

Reasons for Proposals

13. It's a requirement of the Fund's reporting framework to inform the Board if any breach in the regulations occur. This paper provides an update to show the Fund met the statutory deadline for 2017.

Proposals

14. The Board is asked to note this report.

MICHAEL HUDSON
Treasurer to the Pension Fund

Report Author: David Anthony, Head of Pensions

Unpublished documents relied upon in the production of this report:

WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD
18 October 2017

EMPLOYERS CONTRIBUTIONS MONITORING

Purpose of the Report

1. The purpose of this report is to update the Board on the current employer contributions monitoring and outline the changes being implemented from 1 October 2017.

Background

2. There has been statutory changes to the approach pension funds must take in respect of employer's contributions. The Pensions Regulator's (tPR) code of practice (Code of Practice no. 14 Governance and administration of public sector pension schemes) <http://www.thepensionsregulator.gov.uk/docs/code-14-public-service.pdf> set out the obligations of the pension fund to ensure that all employer and employee contributions and supporting member returns are received on time.
3. In summary, the Code of Practice no. 14 sets out the following:

Legal Requirements

4. *Para 147 - all contributions must be paid in line with the regulations of the scheme.*

Para 148 - all payments are to be made by the 19th of the month following deductions or 22nd if paid electronically or earlier if specified in a given scheme's regulations.

Para 149 - scheme managers are to give notice to The Pensions Regulator if late payment is material.

Practical Guidance

5. *Para 150 – scheme managers are to establish and operate adequate internal controls to identify payment failures that are of material significance to the Regulator.*

Para 151 - schemes should monitor pension contributions, resolve payment issues and report payment failures so that the scheme is administered and managed in accordance with the scheme regulations and other legal requirements.

6. With the rapid increase in employer bodies in the Fund over the past few years, the monitoring of employer contributions is becoming more challenging and a greater administrative exercise. This was an area also highlighted in the South West Audit Partnership (SWAP) assessment of the Fund against the Code of Practice Number 14.

Considerations for the Board

Wiltshire Pension Fund – Analysis of Pension Contributions

7. The tables below show the value of contributions received on time and late.

2016-17	Total £000	On time		Late	
		£000	%	£000	%
Employee	19,155	18,881	98.6%	275	1.4%
Employer	76,745	75,760	98.7%	985	1.3%
Total	95,900	94,641	98.7%	1,260	1.3%

8. Considering the Fund receives around 2,000 payments per annum, for 2016-17, in total 83 monthly contribution payments were received late of which 74 were received within the month, 6 received between 1 and 3 months late and 3 received more than 3 months late.

2015-16	Total £000	On time		Late	
		£000	%	£000	%
Employee	19,329	19,257	99.6%	73	0.4%
Employer	70,120	68,343	97.5%	1,778	2.5%
Total	89,449	87,600	97.9%	1,851	2.1%

9. In 2015-16, 60 payments were late, 47 received within the month, 9 between 1 and 3 months late and 4 received more than 3 months late.
10. The last 2 years indicates a favourable direction of travel on the face of it, the 2015-16 proportion of late contribution of 2.1% reduced to 1.3% for 2016-17.

Contribution Framework – Employer Responsibilities

11. The requirements for employers is to ensure pension contributions arrive by 19th of the month for cheques and 22nd of month for electronic payments. They are also required to provide supporting information for each payment that the Fund call the Monthly Contribution Returns which needs to arrive in line with the payments so the money can be identified, checked and allocated to the correct employer.
12. The table below outlines the current performance of employers for 2017/18.

Summary of Employer Late Payments at August 2017

Employer type	No. o/s	Amount o/s		
		August 17	Contributions £	Deficit £
Academies	1	206	206	0
Colleges	0	0	0	0
Other Employers	2	12,936	2,402	10,533
Town & Parish Councils	0	0	0	0
Swindon Pool	1	1,861	1,861	0
Wiltshire Pool	1	1,115	1,115	0
	5	16,119	5,585	10,533

13. Of these late payers, all the employers have been chased.

New Contribution Framework

14. In line with the recommendation by SWAP, the Fund has now revised and implemented a new Contributions Framework. The attached letter was sent to all employers in late July

2017 to introduce and explain the processes that becomes effective from 1 October 2017. Each employer has also been issued with a unique reference numbers to assist in the monitoring process.

15. All employers must provide to the Fund the information provided in the revised Monthly Contribution Return which can be viewed in on the following link <http://www.wiltshirepensionfund.org.uk/monthly-contribution-return-2017-updated-july-2017.xls> in accordance with the submission deadlines
16. The main purpose of the new form is to standardise the format and content for all Employers.
17. The Fund is allocating additional officer resource to the monitoring process, and from an operational perspective have set out a clear process for chasing late payments with standard template letters, providing employers with an initial warning that lead to a clear escalation route for late payers ending up with reporting a breach to this Board.
18. The Fund has also now outlined to all employers that it will impose the sanctions explicitly defined in the regulations which include:
 - “Fines” – financial penalties recouping the direct costs of Pension Funds incurred due to investigating and pursuing late payments and information and
 - Applying interest to outstanding sums.
 - Reporting directly to the Pensions Regulator.

Environmental Impact

19. There is no environmental impact from this report.

Financial Considerations

20. This report outlines the financial considerations above.

Risk Assessment

21. The risk of non-compliance with the statutory requirements are included in the Risk Register elsewhere on this agenda.

Legal Implications

22. There are no immediate legal implications arising from this report.

Safeguarding Considerations/Public Health Implications/Equalities Impact

23. There are no implications at this time.

Proposals

24. The Board is requested to note the Fund's current employer contribution monitoring position and the revised framework being implemented.

MICHAEL HUDSON
Treasurer to the Pension Fund

Report Author: David Anthony – Head of Pensions



WILTSHIRE PENSION FUND

Wiltshire Pension Fund, County Hall, Trowbridge, Wiltshire BA14 8JN
T: 01225 713613 ♦ F: 01225 713645 ♦ E: pensionenquiries@wiltshire.gov.uk
www.wiltshirepensionfund.org.uk

Ref:
Date: 28 July 2017

Dear Employer

Local Government Pension Scheme – Contributions

Following a review, we are changing our process concerning the payment of monthly contributions. This letter outlines the changes and your employer obligations in relation to these changes.

The Wiltshire Pension Fund must now comply with the Public Service Pension Act 2013 and the subsequent Pensions Regulator's code of practice ([Code of Practice no. 14 Governance and administration of public sector pension schemes](#)). These oblige pension funds to ensure that all employer and employee contributions and supporting member information are received on time.

Late payments and information are not only a breach of the statutory legal requirements but also create extra work for our staff. As a result we have recently audited our procedures and some changes will now be made to ensure that they are sufficiently robust. These will come into use from 1st October 2017.

The revised process will be as follows:

1. Reminder emails will be sent to all employers on the first Monday of each month. All payments need to reach the Fund by the 22nd of the month (19th day if payment is to be made via cheque) following the month of deduction together with a supporting Monthly Contribution Return (MCR) to the following address - PensionFinance@wiltshire.gov.uk.
2. The Monthly Contribution Return (MCR) has been reviewed and updated. We will now ask employers to quote a unique three digit code on the MCR. Your unique 3 digit code will be sent to you in the next few weeks. We attach a copy of a revised MCR form for your reference and would appreciate if you could inform your payroll provider to use this from 1 October 2017. A copy of the form can be found on our website at the following link: [Monthly Contribution Return \(MCR\)](#). The MCR needs to be sent to the Wiltshire Pension Fund as a password protected file by 19th of each month to enable coding of the contributions payment.
3. The Fund will accept a MCR in a different format if you or your payroll provider are unable to use the revised form if the required information is made available to the Fund for each of its individual members. This is required to ensure we adhere to the Pension Regulator requirements.
4. We will always do our best to work with you to help resolve issues as they arise but where issues remain unresolved we reserve the right to take further actions under the regulations. This will now include:
 - a. The Fund will charge interest on amounts outstanding. Interest will be charged at a rate of 1% above the Bank of England base rate, compounded every three months, in accordance with regulation 71 of the LGPS regulations.
 - b. Regulation 70 of the LGPS regulations allows for the Fund to recover from a Scheme employer any additional costs incurred as a result of their failure to meet their obligations. Costs will be recovered at a rate of £50 per hour to cover the administration of chasing late payments and MCRs. For full

Administered by:

Wiltshire Council
Where everybody matters

details please refer to our Administration Strategy which can be viewed on our website at <http://www.wiltshirepensionfund.org.uk/employer-area/employers-guide/administration-strategy-2014.htm> .

5. Where actions fail to rectify the position this may then need to be reported to the Pensions Regulator for those employers who persistently fail to meet their obligations (in line with [Code of Practice no. 14 Governance and administration of public sector pension schemes](#)).

We appreciate and thank all employers for providing both contributions payments and the supporting documentation on a timely basis and this revised framework is being implemented to ensure we meet the Pension Regulators requirements and are able to provide assurance reporting to our Pension Fund Committee and Local Pension Board.

However, if you have any questions regarding the areas covered in this letter, please do contact us. Further guidance on the procedures can also be found in the Employer's Guide on our website (<http://www.wiltshirepensionfund.org.uk>). The following contacts will be available to assist you:

Denise Robinson (Employer Relationship Manager) denise.robinson@wiltshire.gov.uk

Chris Ashton (Pension Fund Accountant - Maternity) chris.ashton@wiltshire.gov.uk

Susan Tompkins (Accounting Technician) susan.tompkins@wiltshire.gov.uk

Yours sincerely

Chris Ashton

Pension Fund Accountant (Maternity)

Wiltshire Pension Fund

Tel: 01225 713660

E-Mail: chris.ashton@wiltshire.gov.uk

www.wiltshirepensionfund.org

LOCAL PENSION BOARD - WORK PLAN

Meeting:	16-Jul-15	22-Oct-15	14-Jan-16	07-Apr-16	20-Jul-16	20-Oct-16	25-Jan-17	06-Apr-17	13-Jul-17	18-Oct-17	Jan 18	Apr 18	Jul 18	Oct 18	Jan 19
Standard Items:															
Membership	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Attendance of Non Members	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Apologies for absence	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Minutes of last Board & matters arising not on agenda		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Chairman's announcements	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Declaration of Interest	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Public Participation	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Date of Next Meeting	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Urgent Items	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Main business items:															
Board Governance															
Election of Vice Chair	✓				✓				✓				✓		
Board Budget setting			✓				✓				✓				✓
Board KPIs to monitor				✓	✓			✓				✓			
Board Annual Report				✓	✓				✓			✓			
Review Board's Terms of Reference (if and as required)	✓				✓				✓				✓		
Board Annual Training Plan Update	✓	✓	✓			✓					✓			✓	
Training Item relevant to agenda		COI & Code of Conduct	tPR Code 14 and record keeping	2016 Triennial Valuation	Investment Pooling & the Brunel Pension Partnership	Brunel Pension Partnership update		Data protection and quality standards	Complaints and dispute handling	Fraud prevention and mitigation	Annual Reporting requirements	TBC	TBC	TBC	TBC
Code of Conduct & Conflicts of Interest Policy	✓	✓				✓					✓			✓	
Role & purpose of the LPB	✓														
Forward Work Plan Review	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Review - how did the Board do?		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Meeting:	16-Jul-15	22-Oct-15	14-Jan-16	07-Apr-16	20-Jul-16	20-Oct-16	12-Jan-17	06-Apr-17	13-Jul-17	18-Oct-17	Jan 18	Apr 18	Jul 18	Oct 18	Jan 19
Administration															
Review employers compliance (data)													✓		
Review Fund fraud risk prevention and mitigation measures										✓				✓	
Review Fund website contents/resilience									✓						✓
Review of Fund IDRPs procedures & cases								✓							✓
Review Fund Communications (employers/members)				✓				✓				✓			
Review of Data Security & Business Recovery											✓		✓		
Review GMP reconciliation process										✓					
Benchmark Annual Report with other Funds									✓						
Review of Annual Benefit Statement process						✓									
Financials & Audit															
Review Fund Annual Report		✓				✓				✓				✓	
Review Fund Annual Accounts		✓			✓				✓				✓		
Review Internal Audit Report	✓	✓			✓				✓				✓		
Review External Audit Report		✓				✓				✓				✓	
Input to Annual External Audit Plan				✓								✓			
Input to Annual Internal Audit Plan							✓			✓				✓	
Total number of Agenda Items:	21	24	24	25	25	25	24	22	26	23	29	25	25	26	26

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