

AGENDA

Meeting: Local Pension Board
Place: Kennet Room, County Hall, Trowbridge, BA14 8JN
Date: Thursday 11 October 2018
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

Press enquiries to Communications on direct lines (01225) 713114/713115.

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Chairman's Briefing – 9:30am, Kennet Room

Membership:

David Bowater	Howard Pearce (Chairman)
Cllr Richard Britton	Barry Reed
Sarah Holbrook (Vice Chairman)	Mike Pankiewicz

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Public Participation

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 **Welcome**

To welcome those present to the meeting.

2 **Apologies**

To receive any apologies for absence.

3 **Minutes** (*Pages 7 - 22*)

To confirm as a true and correct record the minutes of the previous meeting held on 12 July 2018.

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

4 **Declarations of Interest**

To receive any declarations of disclosable interest.

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

5 **Chairman's Announcements**

To receive any announcements through the Chairman.

6 **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 **Thursday 4th October** 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.

- 7 **Minutes and Key Decisions of the Wiltshire Pension Fund Committee** *(Pages 23 - 30)* **10:30am**
- To consider the Part 1 (public) minutes of the Wiltshire Pension Fund Committee held on 20th September 2018.
- 8 **National LGPS Survey Results** *(Pages 31 - 42)* **10:35am**
- The Board is presented with a summary of the results of recent surveys by Hymans- Robertson on the confidence of Pension Committees and Boards, including results specific to Wiltshire.
- 9 **Training Item: Fund Delegations and Controls** *(Pages 43 - 52)* **10:40am**
- A report by the Head of Pensions Administration and Relations concerning the interaction of relevant committees and delegation to officers.
- 10 **External Audit report** *(Pages 53 - 96)* **10:50am**
- A report from the Fund's external auditor is to be considered.
- 11 **Review of Fund Procurement Processes** *(Pages 97 - 100)* **11:00am**
- A report by the Head of Pensions Administration and Relations concerning the procurement process undertaken and on-going contract management for the appointment of external advisors and of other key contracts.
- 12 **Update on GMP Reconciliation Process** *(Pages 101 - 104)* **11:10am**
- A report from the Governance and Performance Manager for the Board to consider.
- 13 **GAD Section 13 Review** *(Pages 105 - 112)* **11:20am**
- An Executive Summary of the recently reviewed report by GAD is available to the Board.
- 14 **Presentation by the Pension Regulator on its role in relation to the LGPS** **11:30am**
- A presentation by Stephen Rowntree, from the Pensions Regulator.

- 15 **Review of Annual Benefit Statements process 2018** (Pages 113 - 114) **12:00pm**
- Members are asked to note the outcome of this year's exercise.
- 16 **Scheme Legal, Regulatory and Fund update** (Pages 115 - 120) **12:10pm**
- A report provides an update on the latest Scheme, Legal, Regulatory and Fund developments for the Board's information.
- 17 **Risk Register Update** (Pages 121 - 134) **12:20pm**
- A report presents the current Risk Register for the Wiltshire Pension Fund for review by the Board
- 18 **Administration Key Performance Indicators** (Pages 135 - 144) **12:30pm**
- A report presents the Fund's administration Key Performance Indicators for review by the Board.
- 19 **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.
- 20 **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.
- 21 **Date of next meeting and Forward Plan** (Pages 145 - 148) **12:40pm**
- The next meeting of the Board will be held on 24th January 2019, further future dates can be found [here](#).
- The Board's Forward Work Plan is attached for members' consideration.
- 22 **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 23- 25 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.

- 23 **Brunel Pension Partnership update** **12:50pm**
- To receive a verbal update on the progress of Brunel Pension Partnership.
- 24 **Minutes and Key Decisions of the Wiltshire Pension Fund Committee, Investment Sub-Committee and Brunel Oversight Board** (Pages 149 - 166) **1:00pm**
- To consider the Part 2 (private) minutes of the meetings of the Wiltshire Pension Fund Committee and Investment Sub-Committee held on 20th and 13th September, and of the recent meeting of Brunel Partnership Oversight Board.
- 25 **Minutes** (Pages 167 - 176)
- To confirm as a true and correct record the Part 2 minutes of the meeting held on 12 July 2018.

Close

LOCAL PENSION BOARD

PART 1 MINUTES OF THE LOCAL PENSION BOARD MEETING HELD ON 12 JULY 2018 AT SALISBURY ROOM - WILTSHIRE COUNCIL OFFICES, COUNTY HALL, TROWBRIDGE.

Present:

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

23 Membership

There were no changes to the membership of the Board. It was noted the Board was still carrying a vacancy following the resignation of Lynda Croft, and was in the process of going out to advert for the second time.

24 Apologies

Apologies for absence had been received from David Bowater.

25 Minutes

The Chairman introduced the minutes from the previous meeting and advised that whilst the benchmarking of the Fund against other Funds in Brunel Pensions Partnership did not feature on the action tracker, it was included in the Fund's Work Plan.

26 Declarations of Interest

There were no declarations of interest.

27 Chairman's Announcements

The Chairman reminded members of the remit of the Local Pension Board to provide oversight of the Fund's governance and administration processes.

Other announcements included a recent CIPFA Guide for Local Pension Boards that would be a useful resource for members, and the Chairman had recently

attended at CIPFA conference for Local Pension Boards. Discussions at the conference had centred on the representation of funds within asset pools, the imminent Government Actuaries Department (GAD) report on the funding viability of the LGPS, and that the Pensions Regulator (tPR) was increasing its resources.

28 Public Participation and Councillors Questions

There were no members of the public present.

29 Election of Vice Chairman

Nominations were sought for the position of Vice Chairman.

Resolved:

To appoint Sarah Holbrook as Vice Chairman for the forthcoming year.

30 Minutes and Key Decisions of the Wiltshire Pension Fund Committee

The Board considered the minutes of the recent Wiltshire Pension Fund Committee meeting and noted it had referred the Board's Code of Conduct for review to seek further legal advice on which elements of the Register of Interest form were a statutory requirement. Officers advised if only minor changes were recommended this could go straight to the Wiltshire Pension Fund Committee, material changes would need to go to the LPB for consideration. It was recommended the Conflict of Interest Policy be compared to the Pensions Regulator guidance.

Resolved:

To note the minutes and key decisions of the Wiltshire Pension Fund Committee and to recommend the Conflict of Interest Policy be reviewed against the Pensions Regulator guidance.

31 Draft Statement of Accounts

The Board discussed the Fund's Statement of Accounts for which it was expecting a clean external audit. Questions were raised on investment manager performance fees and it was confirmed these were agreed upon appointment and checked when the invoice came in. The Chairman commented the Fund may require additional resource in the next year to support the CIPFA disclosure requirements and requested an update on the process for the appointment of a new external auditor at the next meeting.

The Board members recommended technical changes to the accounts as detailed below.

Resolved:

To note the draft Wiltshire Pension Fund Financial Statements for 2017-18, and to recommend the following amendments:

- **Under ‘Local Pension Board’ include a reference that the LPB also has an oversight function to ensure the Fund is compliant with the Pensions Regulator.**
- **Split the figures for cash and derivatives, or remove the figures for derivatives in the accounts where this is zero.**
- **Remove zero figures in the accounts.**
- **Under ‘Basis of Preparation’, wording to be updated to reflect the regulatory status of the approach taken.**
- **Include Brunel Pension Partnership, Local Pension Board transactions and key management remuneration in ‘related party transactions’ in the accounts. The note the CIPFA guidance recommends more disclosure over these transactions.**
- **AVCs be included in the accounts, and the wording in accounts be amended to reflect this since there are specific requirements about which AVCs that should be disclosed.**

To request an update on the process for the appointment of a new external auditor at the next meeting.

To recommend the compliance with the CIPFA disclosure agreement is factored into the 2018/19 accounts.

32 Training item: GDPR

Richard Bullen, Fund Governance and Performance Manager, gave a high-level summary of the Fund’s actions to achieve compliance with the General Data Protection Regulations. The Fund had mapped the data it held, sent out Privacy Notices, appointed a Data Protection Officer, issued training, updated policies and been in regular communication with employers. Next steps would include a review of service provider contracts and arranging for audits to verify processes were being followed correctly.

It was explained the Fund was working with all of its partners, managers, and employers in the fund to check their own processes were sound. Employers within the fund would have their respective obligation to review their policies, procedures and communications with employees.

It was discussed whether employers could request their data back from the Fund where they were no longer a participating employer. The extra administration burden on the Fund arising from GDPR was discussed, it was acknowledged it was a significant piece of work, however considered it would make the fund more efficient moving forward due to data cleansing and improved processes.

Resolved:

To note the update on the Fund's actions to ensure GDPR compliance and to recommend it reviews its actions against the advice of the Scheme Advisory Board on its interpretation of GDPR, to ensure the Fund focuses on the important and sensitive data it holds.

33 **GDPR Progress Update**

The Board considered this update in conjunction with the previous agenda item. The complexities of the data mapping exercise and integration of policies and procedures with those of third parties was discussed.

Resolved:

To note the Fund's progress on the implementation of GDPR.

34 **Local Pension Board Annual Report**

The Board considered its annual report and noted the requirement on members to advise officers of training events they had attended so this could be recorded. Members were pleased to learn the Annual Benefit Statement exercise was on target to be completed on time this year. The Chairman recommended an additional Section be added to the annual report to record whether recommendations of the Board had been adopted by the Committee/Fund.

Resolved:

To approve the Local Pension Board Annual Report subject to the addition of a section to record the implementation of LPB recommendations, the wording of this was delegated to officers, in consultation with the Chairman.

35 **The Pensions Regulator Code of Practice 14 Record Keeping Compliance**

Officers presented a report which tested the Fund's compliance against the Pension Regulators Code of Practice 14 Record Keeping Regulations, the specification of the review was set out by an independent questionnaire originally provided by Aon Consulting and covered the Fund's internal controls. Overall the Fund was well managed, two areas had been improved since the last review, 13 others required improvement and one new risk had been added.

The report set out an action plan to improve the risks identified. It was explained that a number of the risks related to communication of the Independent Dispute Resolution Process to members, and once this was resolved, a number of risks would be addressed.

Resolved:

To note the self-assessment undertaken by officers and to request an update on progress at a future meeting within the next 6 months.

36 **Internal Audit report**

The Board was presented with the Fund's internal audit report which had given a "Reasonable Assurance" opinion. There were no significant findings in the report, with one new priority 3 risk identified and two more priority 3 risks remaining from the 2016-2017 year (one of which was not due until December 2019). In addition, there was one advisory recommendation.

The new priority 3 risk related to the Fund Investment & Accounting Manager ensuring that she can demonstrate she has verified reconciliations prepared by the Accounting Technician; this check was now in place and occurring monthly. For the two other risks, the monthly reconciliations of New Pensioners and New Dependents between the Altair Pension system and SAP Pension Payroll was currently being put in place while the full reconciliation between all Altair and Pension Payroll records was planned to start towards the end of 2018, once the first stage of the GMP Reconciliation project is complete.

The Board were reassured to hear SWAP were following up on their audit recommendations and requested an update on action taken at a future meeting. Members sought assurance the Fund paid for the internal audit, rather than Wiltshire Council as part of their contract, officers agreed to check on this and report back.

Resolved:

To note the update, SWAP Internal Audit report and response to recommendations, and request an update on progress against recommendations at a future meeting.

37 **Scheme Legal, Regulatory and Fund update**

A report outlined the current and recent scheme and regulatory changes. Key updates included: the reforms to public sector exit payments were delayed, amendments to the LGPS regulations had been made in May, and the Pensions Dashboard was still only in early development. New updates from the Scheme Advisory Board had been added in respect of a Separation Project to consider separation between host authority and scheme manager role. Another project in the early stage was one to identify regulations which may be better sited within

statutory guidance, and to propose the necessary amendments and assist HMCLG with the drafting of guidance. Likewise, the SAB was launching a project to assist authorities in meeting the tPR data management requirements.

The Chairman highlighted the SAB was looking for volunteer authorities to be involved in these projects and it would be an opportunity for the Fund to steer the outcome. It was heard that CIPFA was bringing out a number of new publications over the next year the Fund should be updated on.

Resolved:

To note the changes highlighted in the report and to request a section for relevant CIPFA updates.

38 **Risk Register Update**

Since the last report to the Board, officers had downgraded PEN012 'Over-reliance on key officers' as a number of key staffing roles had been filled. Officers advised that most operational and strategic decisions were made by the Head of Pensions Administrations and Relations or the Investment Manager, therefore the s151 vacancy did not impact on the running of the Fund day to day. The Board however expressed concern the Fund would suffer in the long term from lack of strategic direction if this vacancy was not filled on a permanent basis.

PEN010 'Failure to keep records up to date and accurate' had been raised and would be addressed when the Fund was better resourced, PEN020 'Pooling of LGPS assets' remained red risk. A new risk had been added PEN027 'Significant structural change to LGPS or our Fund' due to the environment of shared service and fund mergers.

Resolved:

To note the Risk Register and measures being taken to mitigate risks and recommend the Committee regularly review PEN012 due to the outstanding permanent vacancy for the Treasurer/Section 151 officer to the Fund.

39 **Quarterly Update on Key Performance Indicators**

The Head of Pensions Administration and Relations presented a report on the Fund's performance against key indicators. The report now included the indicators recommended by the Pensions Regulator, it was noted the Fund planned to develop KPIs for employers and late payment of contributions.

The implication of the Fund using 'common data' as recommended by tPR was discussed, it was noted it was difficult to draw comparisons between the Funds

due to likely inconsistencies in the methodologies that funds would use. A key priority for officers moving forward would be to involve its data quality analysts posts to improve the Fund's data and improve KPIs. Questions were raised over why KPIs on pension fund 'leavers to deferred' and 'refund of contributions' stood out from other performance metrics. It was explained the poor performance of 'leavers to deferred' was due to lack of resource within that area of the team and also difficulty in obtaining accurate data from employers. In respect of contribution refunds, these were of lower priority, and ultimately could only be speeded once vacancies were filled and further technological and process improvements were implemented.

Resolved:

To note the Fund's performance against Key Performance Indicators.

40 **Review Fund Communication: Employers and Members**

The Fund's new Communications Manager explained she planned to inject a more bold approach into the Fund's branding so as to clearly identify it. Examples of new branding were shown. The Board also heard the Fund had launched its new website which was based on the popular platform offered by Hymans Robertson, the next priority was to work on a member self-service portal in November 2018; this would be a staged roll-out.

Resolved:

To note the update on the Fund's Communication Strategy and the date for the next Annual Conference as 14th November.

41 **Investment Strategy Statement**

Officers advised the Fund's Investment Strategy Statement had recently been updated in respect of the de-risking of strategic asset allocation due to the triggering of the Flight Path when the funding level increased. The document had also been updated to reflect the current approach to decision making with Brunel Pension Partnership.

Mike Pankiewicz requested the policy be updated, and added to, in respect of the Fund's approach to fossil fuel divestment and the Environment, Social and Governance (ESG) approach of the Fund. It was highlighted that investment managers considered ESG ratings in their investments, and the Committee should monitor Brunel's approach to decarbonisation. Officers agreed this recommendation would be factored in for the next review.

Resolved:

To note the Investment Strategy Statement agreed for final publication.

To recommend, upon next review of the Investment Strategy Statement by Committee, that:

a) reference is made to ESG policy and that ESG policy is reviewed in light of a forthcoming government consultation paper on final salary pension schemes in respect of ESG;

b) an annex be included to illustrate the Fund's compliance with Regulation 7.

42 LPB Training Strategy Update 2018

The Fund Governance and Performance Manager advised Hymans Robertson had developed training exercises for Board and Committee members on the subject of pensions knowledge and understanding, confidence and member effectiveness. Members would be invited to feedback on this and the training strategy would be tailored accordingly. Officers were confident the Board's training plan was compliant with the obligations upon members, however were planning to develop a more comprehensive training strategy. The Chairman advised the Pensions Regulator was offering member training sessions and suggested the Fund take advantage of this.

Resolved:

To note the Fund's progress in implementing an updated training and development strategy.

To recommend officers contact the Pensions Regular about the offer of training events.

43 How did the Board do?

The Chairman thanked officers for their work supporting the Board.

44 Urgent items

There were no urgent items.

45 Date of next meeting and Forward Plan

The next meeting of the Board was to be held on 11 October 2018.

46 **Exclusion of the Public**

Resolved:

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 46-49 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.

47 **LPB Insurance Indemnity Policy update**

The Board considered the extension of an insurance indemnity policy.

Resolved:

To recommend, and delegate to officers, to arrange a continuation of an insurance policy for the Board. The outcome of this exercise would be reported back to the next meeting for information, however in the event a material difference in costs or coverage was proposed this would be brought back to the Board for further consideration.

48 **Brunel Pension Partnership update**

Resolved:

To note the update on the progress of Brunel Pension Partnership and request an update in 2019 on whether the pool was on track with forecasting savings and transactions.

49 **Minutes and Key Decisions of the Wiltshire Pension Fund Committee, Investment Sub-Committee and Brunel Oversight Board**

Resolved:

To note the minutes of the Wiltshire Pension Fund Committee, Investment Sub Committee, and Brunel Oversight Board.

50 **Minutes**

Resolved:

To confirm the Part 2 minutes of the meeting held on 15 March 2018.

(Duration of meeting: 10.30 am - 1.20 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	AC	Once known	
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.	AC	September 2018	
	January 2017			
7.15	To request that SWAP benchmark the fund against other similar funds in a future audit report.	AC/SWAP	September 2018	
7.20	To request that a benchmarking exercise is undertaken against the training undertaken by Board members of other Funds.	LJ	September 2018	
	April 2017			
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.	AC	April 2018 and September 2018	

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, and includes performance against statutory timeframes.	AC	October 2018	
	July 2017			
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.	NW	July 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.	AC	September 2018	
9.12	To recommend costs transparency be factored into the Wiltshire Pension Fund and Brunel Pension Partnership manager appointment process.	NW	April 2018	
9.13	To review the timetabling and work plan of Board meetings following consideration of the SAB survey results.	AC	October 2018	
	October 2017			
10.4	Members to review their Register of Interest and professional bio.	Board	ASAP	
10.6	To request any risks for the Fund arising from the GMP reconciliations project be reviewed once the exercise is complete.	AC	December 2018	
10.7	To request that in 2018 if employers have not submitted complete and correct data to the Fund over a three year period, they be contacted to investigate the route cause, and if there is no resolution, consideration	AC	September 2018	

	be given to reporting them to the Pension Regulator.			
10.10	To provide a flow chart to outline the delegated and reserved decision-making process within Brunel Pension Partnership to improve transparency.	NW	December 2018	
	March 2018			
11.2	IDRP process to be updated to reflect the Pensions Advisory Service has been merged with the Pensions Ombudsman.	AC	ASAP	
11.3	To upgrade item 12 on the Business Plan to medium priority.	AC	ASAP	(Changed status)
11.4	To request that future Business Plans updates include new items which have occurred since the business plan was first produced and include items that have rolled-forward from previous plans.	AC	ASAP	
11.4	To request the three additional SAB projects for 2018 be included in the Fund, Scheme, Legal and Regulatory update.	AC	ASAP	(Changed status)
11.5	To update the wording of PEN019 and PEN021 on the Risk Register.	AC	April 2018	(Changed status)
11.6	To review the LPB Code of Conduct and Conflict of Interest Policy in two years.	RB	April 2020	
11.7	To make the following changes to the Governance Compliance Statement: That section 1A be updated to reflect the delegation of asset management to Brunel Pension Partnership That a hyperlink be added to the Board's Terms of Reference.	AC	June 2018	(Changed status)
11.8	To request that officers seek clarity on any requirement for the Pension Fund Committee to report into the Audit Committee, prior to consideration of the Governance Compliance Statement by the	RB	June 2018	(Changed status)

	Committee.			
11.9	Board FWP to be reviewed.	AC & HP	April 2018	(Changed status)
	July			
12.1	To recommend the Code of Conduct and Conflict of Interest Policy be reviewed in light of tPR guidance.	RB	December 2018	
12.2	Officers to confirm to Cllr Britton whether investment managers pay VAT on performance fees.	RV	ASAP	
12.3	<p>To recommend the following technical amendments to the accounts:</p> <ul style="list-style-type: none"> • Under ‘Local Pension Board’ include a reference that the LPB also has an oversight function to ensure the Fund is compliant with the Pensions Regulator. • Split the figures for cash and derivatives, or remove the figures for derivatives in the accounts where this is zero. • Remove zero figures in the accounts. • Under ‘Basis of Preparation’, wording to be updated to reflect the regulatory status of the approach taken. • Include Brunel Pension Partnership, Local Pension Board transactions and key management remuneration in ‘related party transactions’ in the accounts. The note the CIPFA guidance recommends more disclosure over these transactions. • AVCs be included in the accounts, and the wording in accounts be amended to reflect this since there are specific requirements about which AVCs that should be disclosed. 	MT	July 2018	
12.4	To recommend the compliance with the CIPFA disclosure agreement is factored into the 2018/19 accounts.	MT	July 2019	
12.5	To request an update on the process for the appointment of a new	RV/NW	October 2018	

	external auditor at the next meeting.			
12.6	To recommend the Fund reviews its actions against the advice of the Scheme Advisory Board on its interpretation of GDPR to ensure the Fund focuses on the important and sensitive data it holds.	RB	Ongoing	
12.7	To approve the Local Pension Board Annual Report subject to the addition of a section to record the implementation of LPB recommendations, the wording of this was delegated to officers, in consultation with the Chairman	RB	ASAP	
12.8	Check Sarah Holbrook attendance referenced in LPB report	LJ	ASAP	
12.9	To request an update on actions to support compliance to tPR Code 14 within the next 6 months.	RB	January 2019	
12.10	To confirm to Cllr Britton the Fund pays for the internal audit, rather than the Council.	RV	ASAP	
12.11	To request an update on action against internal audit recommendations at a future meeting.	AC	January 2019	
12.12	Recommend auditors check compliance with tPR Code of Practice No 14 in 2019	AC	April 2019	
12.13	To request new CIPFA updates and publications be included in future scheme updates.	AC	October 2018	
12.14	To recommend the Committee regularly review PEN012 due to the outstanding vacancy for the Treasurer/Section 151 officer to the Fund.	AC	Ongoing	
12.15	To note the Investment Strategy Statement agreed for final publication. To recommend, upon next review of the Investment Strategy Statement by Committee, that:	NW	January 2019	

	<p>a) reference is made to ESG policy and that ESG policy is reviewed in light of a forthcoming government consultation paper on final salary pension schemes in respect of ESG;</p> <p>b) an annex be included to illustrate the Fund's compliance with Regulation 7.</p>			
12.16	To recommend officers contact the Pensions Regular about the offer of training events. Ideally following publication of scheme data comparisons	RB	December 2018	
12.17	To delegate to officers, to arrange a continuation of an insurance policy for the Board. The outcome of this exercise would be reported back to the next meeting for information, however in the event a material difference in costs or coverage was proposed this would be brought back to the Board for further consideration.	AC	October 2018	
12.18	To note the update on the progress of Brunel Pension Partnership and request an update in 2019 on whether the pool was on track with forecasting savings and transactions.	NW	April 2019	

WILTSHIRE PENSION FUND COMMITTEE

**PART 1 MINUTES OF THE WILTSHIRE PENSION FUND COMMITTEE MEETING
HELD ON 20 SEPTEMBER 2018 AT KENNET ROOM - WILTSHIRE COUNCIL
OFFICES, COUNTY HALL, TROWBRIDGE.**

Present:

Cllr Steve Allsopp, Cllr Tony Deane (Chairman), Jim Edney, Cllr Gordon King,
Cllr Christopher Newbury, Cllr Tom Rounds and Cllr Roy While (Vice-Chairman)

Also Present:

Cllr Philip Whitehead

45 Welcome

The Chairman welcomed those present to the meeting.

46 Apologies for Absence

Apologies had been received from Diane Hall, Ian Duncan and Howard Pearce.

47 Minutes

Resolved:

To confirm the minutes of the meeting held on 21 June 2018.

48 Declarations of Interest

Jim Edney declared a pecuniary interest in item 23 and left the meeting prior to this item being discussed.

49 Chairman's Announcements

The Chairman advised that Brunel Pension Partnership would be requested to submit details on their performance and the Fund had recently considered the company as an manager for infrastructure investment. It was noted the Chairman had received a letter from Unison about responsible investment and was preparing a response.

50 **Public Participation**

There were no members of the public present.

51 **Minutes and Key Decisions of the Local Pension Board**

A update was provided on the minutes and key decisions of the Local Pension Board. A key update included that the Board had expressed concern on the Risk Register item PEN012 due to the interim nature of the current Treasurer appointment, and requested this risk be kept under regular review. The Board had received comprehensive updates on the Fund's new Communication Strategy and branding, in addition to its approach on ensuring compliance with the General Data Protection Regulations 2018. Discussion on the Investment Strategy Statement held at the LPB, had centred on Environmental Social and Governance principles and their alignment with the ISS.

The Chairman observed the Local Pension Board had, similarly to Committee, requested an update from Brunel on the its costs and performance against Business Plan objectives. Members of the committee expressed concern about the level of duplication of discussion items at both Board and Committee, it was also highlighted this could sometimes delay the agreement of policies. Officers and advisers highlighted they were aware of another Council which had merged the Board and Committee, whereas some other authorities ran one meeting on from the other with joint discussion over certain policies.

Resolved:

To note the update on the work of the Local Pension Board and to request a report to the next meeting on potential future options for the Committee and Board, developed in consultation with the Independent Governance Adviser.

52 **Scheme, Legal, Regulatory and Fund Update**

A report from the Head of Pensions Administration updated the committee on the latest regulatory and legal updates for the LGPS. In particular, the Government's 'separation project' was discussed; there would be consultation before a final report in Spring 2019. The Committee heard the purpose of the project was to consider conflicts of interest with senior officer and members, the Scheme Advisory Board had however been clear that any separation would still involve local democratic accountability. The committee also discussed reforms to public sector exit payments, this was tabled for debate at Parliament, however details had not yet been released. A final update was that the Government Actuaries Department was to publish its final section 13 review of triennial valuations across the LGPS, however the Fund was not concerned about the outcome as it had already been informally advised that no issues had been identified by GAD.

Resolved:

To note the scheme, legal, regulatory and Fund update and request officers consider whether it is appropriate for a current Department for Work and Pensions consultation to be added.

To request officers update the Committee the progress of the ‘separation project’ and invite committee members to contribute to the consultation at an appropriate time.

53 **Pension Fund Risk Register**

An update from the Head of Pensions Administration on the Risk Register was circulated for members to consider. There was 1 remaining red risk for the Fund in respect of the pooling of LGPS assets. Committee members commented they were conscious of this risk and noted the transition to Brunel had been delayed by a year. The Fund’s Independent Governance Adviser considered Brunel was progressing well compared to other pools. Members queried over-reliance on key officers in Brunel, and it was agreed questions should be raised with Brunel about succession planning. Members suggested a performance-related bonus scheme that was organised against clear and fair performance indicators would drive performance and attract high calibre candidate to Brunel. It was also highlighted that Brunel would require dedicated staff to manage infrastructure investment.

Resolved:

To note the Risk Register and request feedback on Brunel’s bonus scheme be reflected back to the company.

54 **Draft Annual Report**

The Fund’s Annual Report detailed a sound audit opinion and accounts. It was commented that with resource demands as the Fund supported asset pooling, the Fund should focus on legal compliance and delivering sound accounts, before extending its work to comparing itself to others within the LGPS. Members considered the Fund needed to demonstrate in its public communications that it was a responsible investor and had no direct investment in fossil fuels, as such the Fund planned to publish more information about its investments on its website.

Resolved:

To approve the draft annual report, subject to review by the Local Pension Board Chair prior to publication.

55 **Employer Charging Policy**

Officers presented an Employer Charging Policy which had been developed to reflect existing practices. The charges were divided between general running costs and additional, employer-specific costs. Costs were mostly based on professional fees and did not include overheads and officer time, members felt this should be factored into charges when the scale of the work was significant.

Resolved:

To approve the employer charging policy for the Fund with the addition of staff costs/officer time where there are extra costs specific to employer and significant to the fund. The finalisation of these costs was delegated to officers.

56 **Revised Employer Cessation Policy**

The Committee considered a revised employer cessation policy, that had been updated as a result of a new requirement for surpluses to be returned to employers upon leaving the fund and due to more complicated situations with Multi Academy Trusts. Advisers and members felt the policy was sensible and were reassured by the fact it was supported by the Actuary.

Resolved:

To approve the revised Employer Cessation Policy for the Fund with effect from 1 October.

57 **Key Performance Indicators**

The Head of Pensions Administration and Relations updated on Key Performance Indicators, to which new measures had been added. There was a downward trend on KPIs, mostly attributed to vacancies in the team which had impacted upon administration, however these vacancies had now been filled and so the KPIs should see improvement in due course. It was noted the Fund was obliged to publish some figures as part of its annual scheme returns.

In response to questions, officers advised the new resource would be directed to meeting tPR requirements, overtime arrangements were also targeted to the processing of deferred member benefits. On the issue of complaints, the Fund received few formal complaints and prioritised those activities which were of high importance to customers.

It was noted an ambition for the Fund in the future was to develop KPIs for employers.

Resolved:

To note the Fund's performance against Key Performance indicators.

58 **Local Pension Board Annual Report**

The Governance and Performance Manager introduced the LPB Annual Report, to which two changes had been made following LPB review. The Committee felt the Annual Report was owned by the Board and did not require Committee approval.

Resolved:

To note the Local Pension Board annual report and recommend in future this is approved by the Board only.

59 **Training Plan**

Richard Bullen, Fund Governance and Performance Manager, informed the committee a survey had been developed by Hymans on training needs and circulated to Committee and Board members for response. The survey would inform the training schedule for members, alongside the Business Plan priorities, and the Chairman encouraged members to complete this. Officers also offered the Pensions Regulator to speak to the committee on the Code of Practice 14 requirements. The Fund was also considering making more training available online, members suggested it would also be efficient to have training following on from a Committee meeting. Positive feedback was provided from a recent training event, it had been interactive, with time for a question and answer session.

Resolved:

To note the update from the Governance and Performance Manager.

To request further training on the valuation process at a future meeting and to take up the offer of training from the Pensions Regulator.

The Chairman requested substitute members also be invited to training events.

60 **Date of Next Meeting**

The next meeting of the Committee was to be held on 12th December 2018 in Swindon.

The Chairman requested the invitation be extended to substitute members to attend a training event following on from the main committee meeting.

61 **Urgent Items**

There were no urgent items.

62 **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 63-68 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.

63 **Brunel Pension Partnership Update**

The Committee was updated on the progress of Brunel Pension Partnership.

Resolved:

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

To request an event be organised with Greater Manchester Pension Fund to discuss investment in local infrastructure.

64 **Investment Quarterly Progress Report**

The interim Investment Manager updated on the performance of the Fund's investment.

Resolved:

To note the performance of the Fund's investments over the last quarter.

65 **Investment Sub-Committee**

A brief update was provided following the recent Investment Sub Committee meeting.

Resolved:

To note the update from the recent of Investment Sub Committee meeting.

To delegate authority to officers, in consultation with the Chairman and advisers from Mercers to transfer funds to Brunel Pension Partnership to

invest in infrastructure (£0-50m), subject to adequate reassurances from Brunel being supplied to Mercers.

66 Procurement of Actuarial Contract

Potential processes for the procurement of an actuarial appointment were discussed.

Resolved:

To agree Option B as set out in the report and delegate authority to officers to progress this procurement.

To recommend members are invited to meet the Actuary upon appointment.

67 Procurement of Independent Governance Advisor Contract:

The committee was presented with options for the procurement of an Independent Governance Adviser contract.

Resolved:

To proceed with Request for Quote option as presented in the report.

68 Minutes

Resolved:

To confirm the Part 2 minutes of the meeting held on 21 June 2018.

(Duration of meeting: 10.30 am - 1.15 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

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LGPS National Confidence assessment - Results

Page 31

Andrew McKerns, Benefits and Governance Consultant

Agenda Item 8

Confidence, leadership and decision making

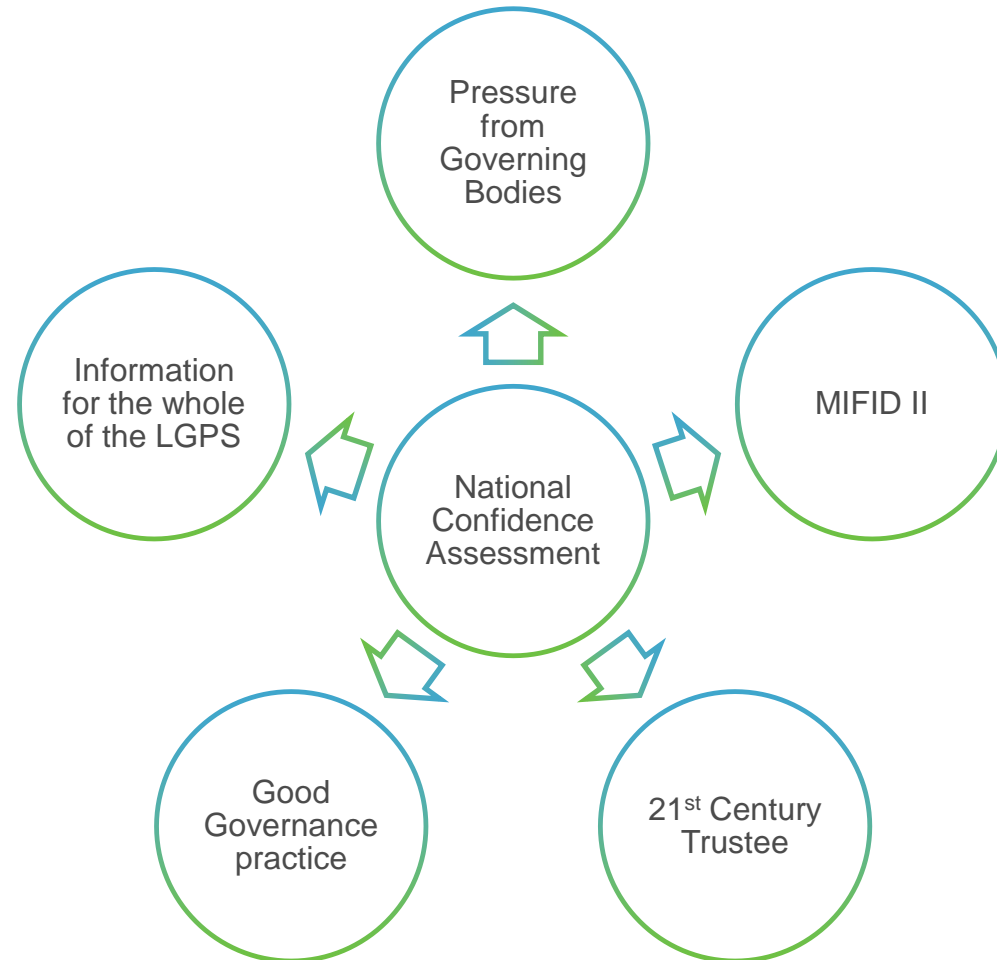


I suppose deep down I've always held those beliefs and held my own values, but not being confident enough to impose them. Certainly, I compromised a lot of that when I was with Middlesbrough. I wasn't confident enough

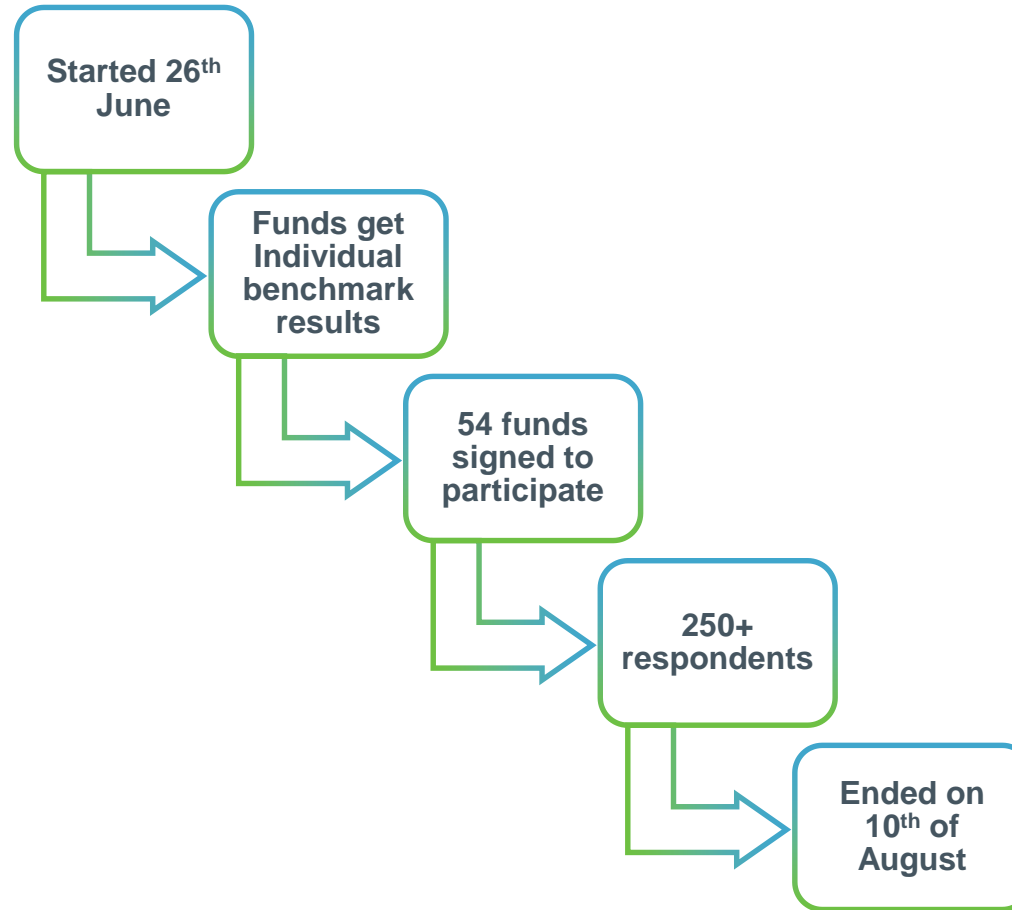


Confidence is a good barometer for leaders and decision makers

Why do a LGPS National Confidence Assessment?



What did we do and what engagement did we get?



Strong engagement from the funds

National Confidence assessments – The results

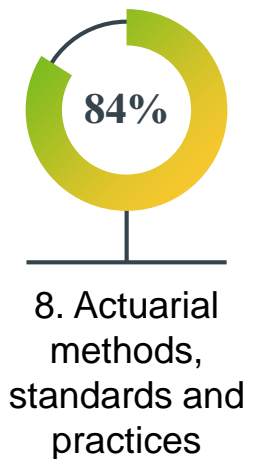
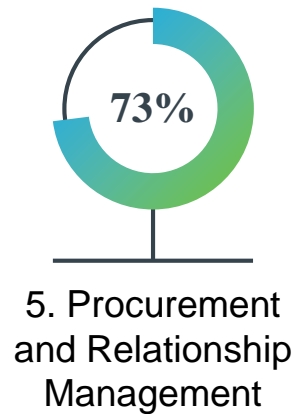
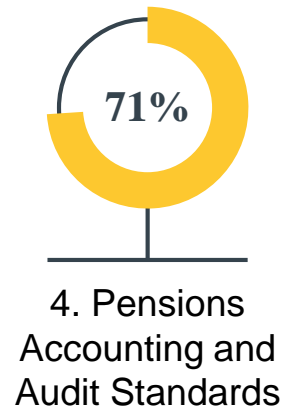
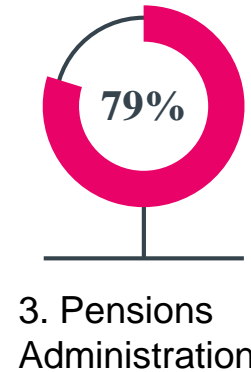
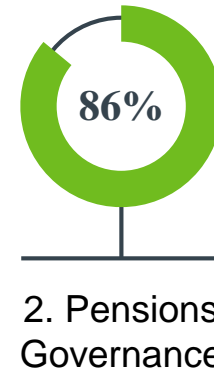
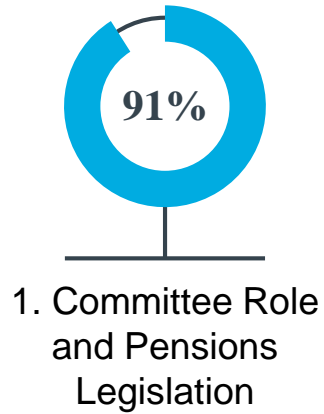
8 topics assessed

- 4 options to choose for each question asked
- The percentage of Committee/LPB responses that choose either '**Mostly**' or '**Completely**' confident

National Confidence assessments – The results

8 topics assessed

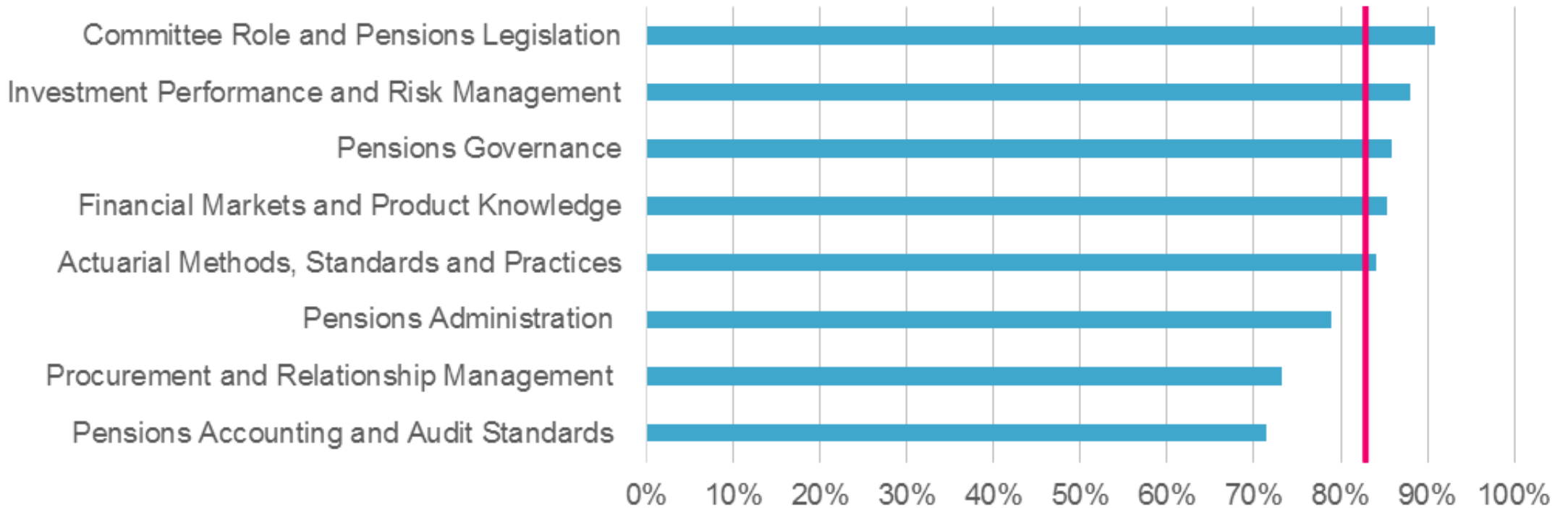
- 4 options to choose for each question asked
- The percentage of Committee/LPB responses that choose either **‘Mostly’** or **‘Completely’** confident



National Confidence assessments – The results

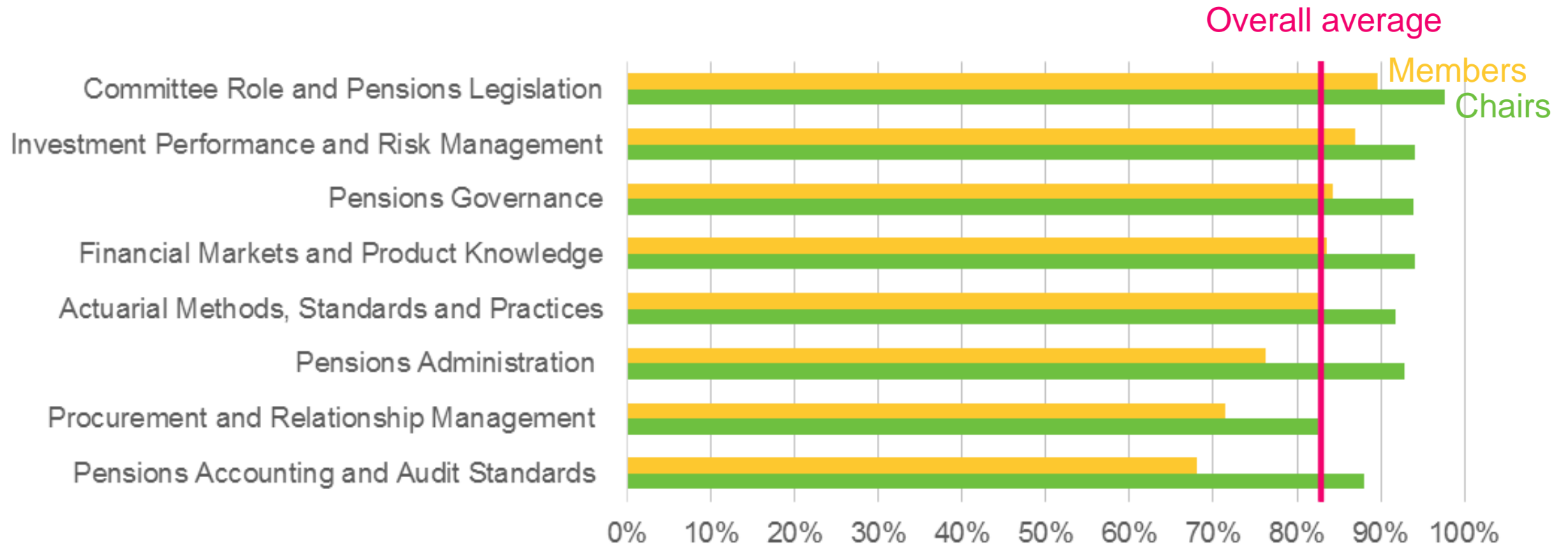
% of responses saying 'mostly' or 'completely' confident

Overall average



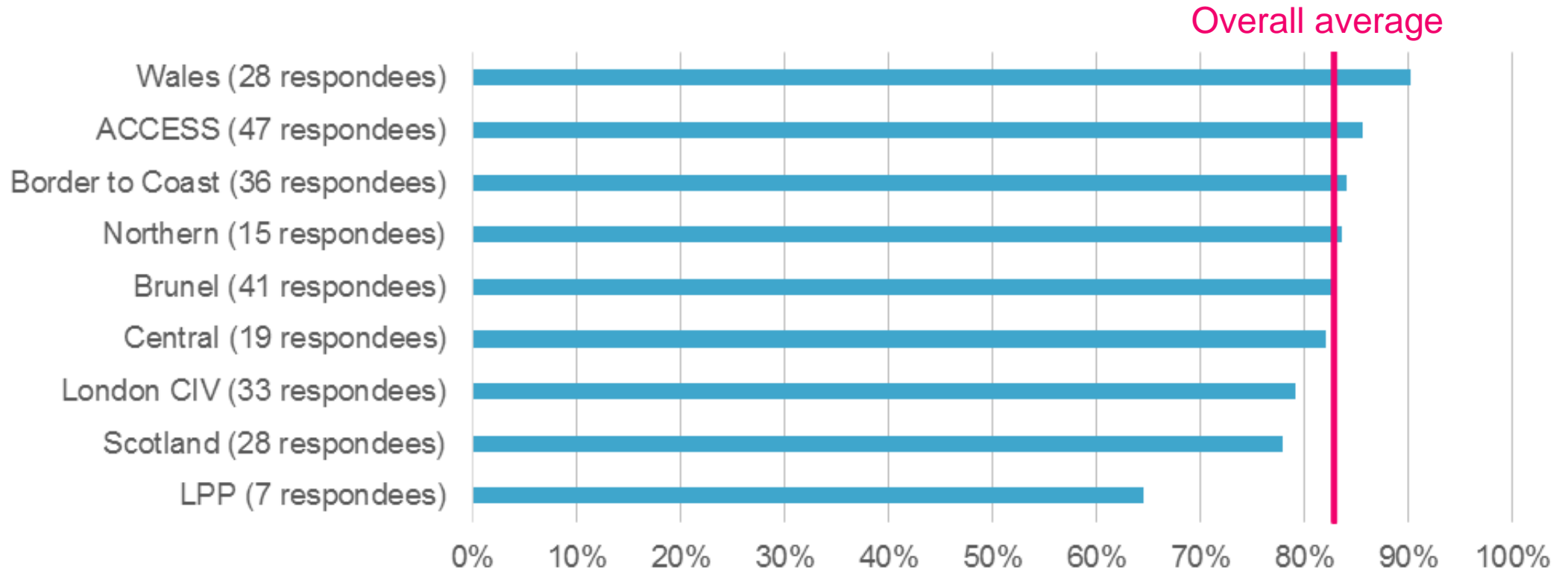
Chairs vs. the Rest

% of responses saying 'mostly' or 'completely' confident



Results by Pool (and Scotland)

% of responses saying 'mostly' or 'completely' confident



NCA - Comments

I've been surprised by how different the pools look; whether they will be more similar in practice we wait to see.

I would say that we are very much steered away from having investment beliefs!

Another quite technical area where we rely on Managers to produce clear reports. I do feel though I have the ability to question

Quite confident on aspects....but sheer level of detail and complexity of LGPS resulted in my scores

Training, high quality Board papers, Officers and Actuaries have all helped us

I'd like to see a clearer disclosure of the ESG approach used

Next steps

- Assess member knowledge and measure against confidence

Key takeaways

- Over half of the LGPS funds signed up to participate
- Strong level of confidence shown in all areas
- Respondents more confident in more 'traditional' areas – will this focus change in the future?
- Member training highlighted as very important
- Strength of confidence may help in defence against those that attack LGPS leadership

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WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND LOCAL PENSION BOARD
11 October 2018

PENSION FUND – FUND DELEGATIONS & CONTROLS

Purpose of the Report

1. This report has been prepared to set out the existing documented interactions between the relevant Committees and the delegations to Officers.

Background

2. Section 101 of the Local Government Act 1972 enables a local authority to arrange for the discharge of its function by a committee, a sub-committee or an officer of the authority.
3. The constitution (Part 3B, paragraph 2.5) states that the Local Authority will maintain Wiltshire Pension Fund (WPF) Committee which will:
“exercise the functions of the Council as Administering Authority under the Local Government Superannuation Act and Regulations and deal with all matters relating thereto”
The documented delegations of the Fund are derived from the committee.
4. While Part 2, Article 12.1 of the Constitutions states:
“The council may engage such staff (referred to as officers) as it considers necessary to carry out its functions.”
And Part 2, Article 12.7 of the Constitution states:
“... The chief finance officer will have responsibility for the administration of the financial affairs of the council including:
...the proper administration of the authority’s financial affairs, including the Wiltshire Pension Fund...”
5. The Chief Finance Officer (Director of Finance and Section 151 officer) is the most senior officer responsible for pension matters.
6. Senior Officers are able to further delegate decision using a scheme of sub-delegation. The Section 151 officer has used this provision and an abridged version (dated April 2018) detailing the delegations to pensions officers is attached (see Appendix 2). In practice, most strategic decision making is undertaken by the Head of Pensions Administration and Relations and the Investment Manager.
7. To exercise its functions the WPF Committee oversees the work of officers at a high-level through receipt of committee papers and the operation of a framework of key documents, notably the Governance Compliance Statement last updated in June 2018, but also the Fund’s Business plan, Discretions policy, Funding Strategy Statement, Investment Strategy Statement, Cessations Policy, Communications strategy & Administration strategy documents.
8. Whilst retaining responsibility, the WPF Committee further delegates the management of the Fund’s investments to the Investment Sub-committee (ISC). The ISC operate in accordance with the Terms of Reference (ToR) Appendix B

9. In order to comply with the Public Services Pensions Act 2013 and the LGPS (Governance) Regulations 2015, the Council established the Local Pension Board. The Wiltshire Pension Fund Local Pensions Board (LPB) also has a ToR within the Council's constitution entitled Protocol 2 and is dated October 2015.
10. Based on the framework of key documents, & ToR's set out above, outlined in Appendix 1 is an officer produced document entitled "Guidance to delegations" which sets out the Committee's, Investment sub-Committee's & Board's cyclical responsibilities.
11. As part of the cycle of Fund delegations & controls, the LPB can review & make recommendations in relation to the maintenance of key documents, Committee & Investment sub-Committee minutes & record those recommendations within the LPB's Annual Report

Considerations for the Board

12. Following the creation of the Brunel Pension Partnership (BPP) it is noted that the Partnership does not formally form part of the WPF's framework of delegations & controls. However, the BPP Oversight Board minutes form part of the Committee & LPB Part 2 agendas.
13. In respect of the ISC ToR, Appendix B appears to be undated and consequently whilst used it does not appear to be subject to periodic review.
14. The register of sub-delegations setting out the Section 151 Officer's responsibilities is brief summary of those responsibilities which may warrant further clarification.

Conclusions

15. Whilst a framework of Fund delegations & controls clearly operates for the WPF it is recognised that changes to the operating practices of the Fund, such as the creation of the BPP will warrant changes and certain formalisations of the current delegations & controls to ensure that it remains current.
16. Furthermore, it is noted the existing officer delegations lack any significant detail and hence rely on a mutual understanding concerning the split of roles and responsibilities between officers and also between officers and the Committee.

Environmental Impact

17. There is no environmental impact from this report.

Financial Considerations

18. There are no immediate financial considerations resulting from this report.

Risk Assessment

19. There are no immediate risks resulting from this report, however risks in the longer term may present themselves should appropriate steps not be taken.

Legal Implications

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

21. There are no implications at this time.

Proposals

22. The Board is asked to note Officer conclusions and to consider whether it would be desirable for changes to be made to the structure of delegations & controls to incorporate the BPP, either separately or as part of the ISC's ToR. Furthermore, consideration should be given to the breakdown of responsibilities outlined in the "Guidance to delegations" Appendix 1 & the register of sub-delegations to Officers Appendix 2. In particular;

- a) Clarifying where different responsibilities should sit;
- b) The flow of communications between the various parties; and
- c) The level of decision making assigned to each party.

ANDY CUNNINGHAM

Head of Pensions Administration and Relations

Report Author: Richard Bullen – Fund Governance & Performance Manager

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Pension Fund Decision Making – Appendix 1

Fund Policies and Strategies	Committee	Investment Sub	Local Pension Board	Comments
Governance Compliance Statement	✓		✓	
Business Plan	✓		✓	
Administration Discretions Policy	✓		✓	
Administration Strategy & Charge-out rates	✓		✓	
Funding Strategy Statement	✓		✓	
Investment Strategy Statement/Statement of Investment Principles (incl. Stewardship Code Statement)	✓	✓	✓	
Cessation Policy	✓			
Financials and Audit				
Financials and Audit	Committee	Investment Sub	Local Pension Board	Comments
Review Fund Annual Report	✓		✓	
Review Fund Annual Accounts	✓		✓	
Review Internal and External Audit Report	✓		✓	
Wiltshire Pension Fund Administration Budget	✓			Authority is delegated to the Treasurer to move funding between budget headings as required.
Local Pension Board Budget			✓	To go to the LPB first and then included in the full Fund budget to go to Committee.
Treasury Management Strategy	✓			
Budget Monitoring Report/ Administration Outturn Statement	✓			
Input into Internal and External Audit Plans			✓	
Administration				
Administration	Committee	Investment Sub	Local Pension Board	Comments
Review Employer's Data Compliance			✓	

Fraud and Risk Prevention			✓	
Review of Fund Website	✓		✓	
Review Communications Strategy	✓		✓	
Internal Disputes Resolution and Complaints Policy	✓		✓	
Data Security/Compliance and Business Continuity			✓	
GMP reconciliations project			✓	
Fund Governance				
Fund Governance	Committee	Investment Sub	Local Pension Board	Comments
Scheme, Legal, Regulatory and Fund update	✓		✓	
Review Fund Risk Register	✓		✓	
Review Fund Training Programme			✓	
Compliance with tPR checklist			✓	
Administration Key Performance Indicators	✓		✓	
Review External advisor appoints process and controls			✓	
Review Fund delegations and internal controls			✓	
Benchmarking results	✓		✓	
Breaches Policy			✓	
Review Valuation Process			✓	
Review Ombudsman cases			✓	
Investments				
Investments	Committee	Investment Sub	Local Pension Board	Comments
Investments Quarterly Performance Report	✓	✓		
Valuation update	✓		✓	
Contribution rates	✓		✓	Agreed by the Committee and reported to LPB for info.
Individual Employer Investment Strategy and Club Vita update	✓			
Flight Path Strategies	✓	✓		
Appointing an Investment Manager	✓	✓		ISC has delegated authority to appoint if in line with strategic policy

Terminating a Manager Contract	✓	✓		ISC to form a recommendation to Committee
Review of Investment Manager Performance		✓		
Other				
	Committee	Investment Sub	Local Pension Board	Comments
Brunel Update	✓	✓	✓	
Brunel Reserve Matters	✓			This can be determined between meetings in consultation with all members if an urgent meeting cannot be called.
ABS Publication Update/Review	✓		✓	
AGM Feedback	✓		✓	
Board Governance				
	Committee	Investment Sub	Local Pension Board	
Local Pension Board Code of Conduct and Col Policy	✓		✓	To be reviewed by the LPB prior to decision by Committee.
Local Pension Board Annual Report			✓	To be reviewed by the LPB before inclusion in full Fund Report approved by Committee.

Committee delegations

Wiltshire Council Constitution Part 3 (2.7) Wiltshire Pension Fund Committee:

It will exercise the functions of the Council as administering authority under the Local Government Superannuation Acts & Regulations and deal with all matters relating thereto. The committee will publish meetings attendance records in an Annual Report.

Officers

Part 3 D (1.3) Full Council, its Committees and the Cabinet will make decisions on matters of significant policy. The Directors have express authority to take all necessary actions to implement Council, Committee and Cabinet decisions that commit resources, within agreed budgets in the case of financial resources, as necessary and appropriate.

Part 3

1.7 Without prejudice to the generality of the foregoing, the Directors shall have the power:

a. To take all lawful action consistent with overall council policy to deliver agreed strategy, plans and policy and to comply with statutory obligations within their areas of responsibility and within approved budget. This shall include, but not exhaustively:

- Invitation and acceptance of tenders
- Submission of bids for funding
- Write-off of irrecoverable debts
- Virement (within the budget framework)
- Disposal and acquisition of assets
- Service and placing of any necessary statutory or

other notices (other than those expressly reserved to Full Council, Committee or Cabinet)

- After consultation with the Solicitor to the Council, authorising the institution, defence, settlement or participation in criminal or civil proceedings in relation to any legislation which they are responsible for monitoring, enforcing or otherwise implementing on behalf of the Council;

b. To put in place management arrangements, which define the area of responsibility of all officers under their service area.

c. To determine staffing arrangements within approved budgets, subject to agreement on grading with the Head of Paid Service after consultation with the other Corporate Directors and conformance with Council policies and the Finance Regulations and Procedure Rules (Part 9).

d. To take all action to recruit, appoint, develop, manage and reward employees within approved Council policies and procedures (including operation of policies for voluntary severance, early retirement, redundancy and redeployment) and relevant conditions of service.

Register of Sub-schemes & delegations – Appendix 2

Director of Finance & Procurement

The scheme of sub-delegation below shows the Council’s function and the job title (or where required, name) of the officer to whom those decision-making powers and functions are delegated. Where a job title is given the delegations to all post holders of that job title. In all cases, each delegation applies to each person in the direct line management of the delegate post holder or named person.

For the avoidance of doubt, the Director of Finance & Procurement can make decisions on behalf of the Council with in their areas of responsibility provided that that decision has not been specifically reserved to Full Council, a Committee or Cabinet (Areas of responsibility include Accountancy, Pensions, Bank Accounts, Cost Centre creation & closing, virements, Grant Claim Approval, Procurement & Insurance). The following specific function relates purely to the area of pensions & may also be exercised by officers specified on behalf of the Director and in the name of the Director.

This authorisation is effective from the date of signature (April 2018) of the document and replaces any former authorisations

In exercise of the power given to me pursuant 1 of Part 3 Section D2 of Wiltshire Council’s Constitution Scheme of Delegation to Officers (as last updated in February 2016) adopted by the Council at its meeting on 9th November 2010 or any subsequent successor constitution. I hereby authorise the officers designated in the last column of the table below to exercise on my behalf the powers set out in the first column subject to the necessary consultations and limitations specified.

Function	Consultees	Limitations	Job title or Name of Officer
The Section 151 Officer also undertakes the role of the Treasurer to the Wiltshire Pension Fund. Where there are matters of conflict the Section 151 Officer the matter to the Committee or Council Deputy to represent that body to minimise the risk of conflict	Cabinet Pension Fund	n/a	Chief Accountant Head of Pension Administration and Relations & Investment Manager
Approval of Procurement and suppliers for the service, including referral of cases to legal advisors	Pension Committee	Levels of approval	Head of Pension Administration and Relations & Investment Manager Pension Committee

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WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD
11 October 2018

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 2018 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 24 July 2018 meeting of the Audit Committee.
4. KPMG have now completed their work on the Whole of Government Account and they have provided their final audit opinion and certificate on the Wiltshire Pension Fund Annual Report. The draft Wiltshire Pension Fund Financial Statements for 2017-18 was approved by Pension Committee at its meeting on 21st June 2018

Considerations for the Committee

5. The attached Final Audit Report 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. New external auditors Deloitte have been appointed following a national recruitment exercise. Officers from the fund plan to meet with them later in the year to discuss the audit arrangements.
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 considerations 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 2019 internal audit plan.

IAN DUNCAN
Interim Treasurer to the Pension Fund

Report Author: Rozalyn Vernon, Fund Investment & Accounting Manager

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

Appendices:

Appendix A – KPMG External Audit ISA260 Report 2017/18



External Audit ISA260 Report 2017/18

Wiltshire Council

July 2018



Summary for Executive Committee

This document summarises the key findings in relation to our 2017-18 external audit at Wiltshire Council ('the Authority') and Wiltshire Pension Fund.

This report covers both our on-site work which was completed in February 2018 and July 2018 on the Authority's significant risk areas, as well as other areas of your financial statements, and the control environment in place to support the production of timely and accurate financial statements.

Organisational and IT control environment

We have confirmed that the issues identified in the 2016-17 audit in relation to SAP_ALL super user access have been appropriately remedied and the Authority now has a generally sound IT control environment. We have communicated a number of low level recommendations directly with management on how to further improve this environment.

Controls over key financial systems

The Authority has a generally sound control environment in place with effective controls over key significant accounts. We have raised two recommendation (see Appendix 1) in relation to the retention of related party evidence and monitoring of contracts.

Review of internal audit

We have used the work performed by internal audit to inform our risk assessment and audit work. We identified no issues with the work performed by internal audit.

Accounts production

The Authority has prepared its financial statements in advance of deadlines during prior years and as a result of this was well placed to meet the faster close deadlines. We received a draft set of financial statements on 31 May 2018 which were of similar quality to prior years. In addition, the working papers provided to us to support our audit have continued to be of a high standard.

Financial statements

Subject to all outstanding queries being resolved to our satisfaction we anticipate issuing an unqualified audit opinion on the Authority's financial statements before the deadline of 31 July 2018.

Based upon our assessment of risks to the financial statements (as reporting to you in our *External Audit Plan 2017/18* and updated during our audit) we identified the following significant risks (excluding those mandated by International Standards on Auditing – see Page 10):

- **Valuation of PPE** – The Authority operates a cyclical revaluation approach to meet the Code requirement that all land and buildings be held at fair value. We have considered how the Authority ensures that assets not subject to in-year revaluation are not materially misstated, as well as reviewing the basis of valuation for those assets that have been revalued. No issues were identified as a result of this work.
- **Pensions Liabilities** – The valuation of the Authority's pension liability, as calculated by the Actuary, is dependent upon both the accuracy and completeness of the data provided and the assumptions adopted. We have reviewed the processes in place to ensure accuracy of data provided to the Actuary and have considered the assumptions used in determining the valuation. No issues were identified as a result of this work.

Summary for Executive Committee (cont.)

Financial statements (continued)

We have identified one audit adjustment with a total value of £3.079 million. See page 31 for details. This adjustment has no impact on the reported surplus on provision of services or on the general fund or Housing Revenue Account balances.

We are now in the completion stage of the audit and anticipate issuing our completion certificate on 24 July 2018 subject to completing of our work over the Authority's Whole of Government Accounts return and issuing of our consistency statement over the Pension Fund Annual Report. Following this, we will issue our Annual Audit letter in August 2018.

Pension Fund financial statements

We also anticipate issuing an unqualified audit opinion in relation to the Pension Fund's financial statements by 31 July 2018.

Based upon our assessment of risks to the Pension Fund financial statements (as reporting to you in our *External Audit Plan 2017/18* and updated during our interim visit) we have identified the following significant risks (excluding those mandated by International Standards on Auditing – see Page 10):

- **Valuation of hard to price investments** – The Pension Fund invests in a range of assets and funds, some of which are inherently harder to value due to there being no publicly available quoted prices. We have verified a selection of investments to third party information and confirmations with no issues being identified.

We have identified one audit adjustment with a total value of £3.565 million. See page 32 for details. This adjustment has no impact on the reported balance of the Fund Account.

Value for money arrangements

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

We set out our assessment of those areas requiring additional risk based work in our *External Audit Plan 2017/18* and have updated this throughout the audit. As a result of this we have identified the following significant VFM audit risks:

- **Delivery of Budgets** – As a result of reductions in central government funding, and other pressures, the Authority is having to make additional savings beyond those from prior years and also pursue income generation strategies. We reviewed the controls in place to ensure financial resilience, specifically that the Medium Term Financial Plan had duly taken into consideration relevant factors and sensitivity analysis. We considered the way in which the Authority identifies, approves, and monitors both savings plans and income generation projects and how budgets are monitored throughout the year. As a result of this work we raised one recommendation (see Appendix 1).

See further details on pages 25-26.

Summary for Executive Committee (cont.)

Exercising of audit powers

We have a duty to consider whether to issue a report in the public interest about something we believe the Authority should consider, or if the public should know about.

We have not identified any matters that would require us to issue a public interest report.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help. As this is now the final period of audit, we would like to raise a special thank you for the years that we have worked with the Council. We will help ensure a smooth handover to your new auditors and wish you the best for the future.

Section one

Control Environment

Organisational and IT control environment

We have identified no significant issues with the Authority's organisational and IT control environment and consider that the overall arrangements that have been put in place are reasonable.

Work completed

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 of these controls.

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, system development and computer operation. During 2016-17 we raised significant recommendations in relation to the IT control environment. These recommendations related to the controls over access to the SAP and Northgate systems. Our testing during 2017-18 confirmed that these issues had been appropriately addressed. As a result of this, we consider that your organisational and IT controls are effective overall. We have, however noted a number of areas for further improvement, particularly in relation to:

- Access rights to the SAP systems not being subject to adequate periodic review;
- Lack of logging of system changes in specific scenarios; and
- Policies not having been reviewed in line with expectations and password criteria differing from that set out in the policy.

In each instance we confirmed that there was no impact on the audit either due to the nature of the issue or through additional testing. We have communicated specific recommendations on each of these areas to management. Due to the low priority attached to these we have not included further details in this report.

Aspect of controls	Assessment
Organisational controls:	
Management's philosophy and operating style	3
Culture of honesty and ethical behaviour	3
Oversight by those charged with governance	3
Risk assessment process	3
Communications	3
Monitoring of controls	3
IT controls:	
Access to systems and data	2
System changes and maintenance	2
Development of new systems and applications	3
Computer operations and end-user computing	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 over the key financial systems.

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 completed

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 (ISA610) 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 PSIAS2 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 have not identified any significant issues which would prevent us from relying on internal audit's work for 2017/18.

Controls over key financial systems

The controls over all of the key financial systems are sound.

Work completed

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.

Where we have determined that this is the most efficient audit approach to take, we evaluate the design and implementation of the control and then 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 your internal auditors’ 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, we have determined that the controls over all of the key financial systems are sound. We have also been able to rely on controls not used during our 2016-17 audit as a result of issues identified with SAP being appropriately remedied for the 2017-18 financial year.

We have not identified any additional audit recommendations other than those already raised to you as part of the internal audit reporting.

Aspect of controls	Assessment
Property, Plant and Equipment	3
Cash and Cash Equivalents	3
Pension Assets and Liabilities	3
Non pay expenditure	3
Payroll	3
Housing benefits expenditure	3
Business rates income	3
Council tax income	3
HRA rental income	3
HRA repairs and maintenance expenditure	3

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



An overhead photograph of four business professionals sitting around a white conference table. A woman in a grey top is at the top, looking down at a laptop. A man in a light blue shirt is on the left, also looking at a laptop. A woman in a white top and black skirt is at the bottom left, with her arms crossed. A man in a light blue shirt is at the bottom right, with his hands clasped. The scene is brightly lit, with shadows cast across the table and floor.

Section two

Financial Statements

Accounts production and audit process

Auditing 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.

The Authority's overall process for the preparation of the financial statements is adequate.

Accounts practices and production process

The Authority continues to deliver strong working papers in the necessary timeframes. As the Authority began preparing its financial statements to an advanced timetable in prior years it was already well placed to meet the new faster close deadlines.

We consider that the overall process for the preparation of your financial statements is sound. We would like to pay particular thanks to Stuart Donnelly and Matthew Tiller for their cooperation throughout the audit.

We also consider the Authority's accounting practices appropriate.

Going concern

The financial statements of both the Authority and the Pension Fund have been prepared on a going concern basis. We confirm that we have identified no significant matters which would, in our view, affect the ability of the Authority or Pension Fund to continue as a going concern.

Implementation of recommendations

We raised one recommendation in our ISA 260 Report 2016/17. The Authority has implemented the significant elements of this recommendation in line with the timescales of the action plan. Further details are included in Appendix 2.

Completeness of draft accounts

We received a complete set of draft accounts on 31 May 2018, which was the statutory deadline.

Quality of supporting working papers

We issued our Accounts Audit Protocol to Stuart Donnelly on 22 February 2018. This important document sets out our audit approach and timetable. It also summarised the working papers and other evidence we required the Authority to provide to support our audit work. This helped the Authority and the Pension Fund to provide audit evidence in line with our expectations. We followed this up with a meeting with Management to discuss specific requirements of the document request list.

Response to audit queries

We are pleased to report that our agreed turnaround time for dealing with audit queries was achieved by Officers, including those who are not part of the finance team. As a result of this, all of our audit work was completed within the timescales expected with no outstanding queries.

Pension Fund audit

The audit of the Fund was completed alongside the main audit. There are no specific matters to bring to your attention relating to this.

Specific audit areas

We anticipate issuing an unqualified audit opinion on the Authority's 2017-18 financial statements and those of the Pension Fund by 31 July 2018. 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 2018, the Authority has reported a surplus on provision of services of £7.821m. The impact on the General Fund has been an increase of £0.41m.

Auditing standards require us to consider two standard risks for all organisations. We consider these as a matter of course in our audit and will have set out the findings arising from our work in our ISA 260 Report below.

01

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.

02

Fraudulent 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 2017-18* 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.

Over the following pages we have set out our assessment of the specific significant risks and areas of audit focus we identified in relation to the audit of the Authority's financial statements and those of the Pension Fund.

Specific audit areas

Significant Audit Risks – Authority

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error in relation to the Authority.

Risk:	Valuation of PPE <p>The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Authority has adopted a rolling revaluation model which sees all land and buildings revalued over a three year cycle. As a result of this, however, individual assets may not be revalued for three years.</p> <p>This created a risk that the carrying value of those assets not revalued in year differed materially from the year end fair value. In addition, the Authority brought forward the valuation date to 28 February 2018 in response to Faster Close deadlines. As a result of this there was a risk that the fair value was different at the year end.</p>
Our assessment and work undertaken:	<p>We reviewed the approach that the Authority adopted to assess the risk that assets not subject to valuation were materially misstated and considered the robustness of that approach.</p> <p>In relation to those assets which have been revalued during the year we reviewed the accounting entries made to record the results of the revaluation in order to ensure that they were appropriate. We also assessed the valuer’s qualifications, objectivity and independence to carry out such valuations and reviewed the methodology used (including testing the underlying data and assumptions).</p> <p>As a result of this work we determined that the valuations used are reasonable.</p> <p>We have set out our view of the assumptions used in relation to accounting for Property, Plant & Equipment at page 16.</p>

Specific audit areas (cont.)

Significant Audit Risks – Authority (cont.)

<p>Risk:</p>	<p>Pension Liabilities</p> <p>The net pension liability represents a material element of the Authority’s balance sheet. The Authority is an admitted body of Wiltshire Pension Fund which had its last triennial valuation completed as at 31 March 2016. This forms an integral basis of the valuation as at 31 March 2018.</p> <p>The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Authority’s overall valuation.</p> <p>There are financial assumptions and demographic assumptions used in the calculation of the Authority’s valuation, such as the discount rate, inflation rates, mortality rates etc. The assumptions should also reflect the profile of the Authority’s employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.</p> <p>There was a risk that the assumptions and methodology used in the valuation of the Authority’s pension obligation were not reasonable. This could have had a material impact to net pension liability accounted for in the financial statements.</p>
<p>Our assessment and work undertaken:</p>	<p>As part of our work we reviewed the controls that the Authority had in place over the information sent to the Scheme Actuary, including the Authority’s process and controls with respect to the assumptions used in the valuation. We also evaluated the competency, objectivity and independence of Hymans Robertson.</p> <p>We reviewed the appropriateness of the key assumptions included within the valuation and compared them to expected range by involving a KPMG Actuary to provide a specialist assessment of those assumptions. We also reviewed the methodology applied in the valuation by Hymans Robertson.</p> <p>In addition, we reviewed the overall Actuarial valuation and considered the disclosure implications in the financial statements.</p> <p>In order to determine whether the net pension liability has been appropriately accounted for we also considered the valuation of pension assets. As part of our audit of the Pension Fund we gained assurance over the overall value of fund assets.</p> <p>As a result of this work we determined that the figures used by the Pension Fund are materially accurate.</p> <p>We have set out our view of the assumptions used in valuing pension assets and liabilities at page 17.</p>

Specific audit areas (cont.)

Other areas of audit focus – Authority

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding.

Issue:

Faster Close

In prior years, the Authority has been required to prepare draft financial statements by 30 June and then final signed accounts by 30 September. For years ending on and after 31 March 2018 however, revised deadlines apply which require draft accounts by 31 May and final signed accounts by 31 July.

The Authority has already developed the plans and processes necessary to produce the accounts to this shortened timescales and has met this in prior years.

We highlighted, however, that for the year ended 31 March 2018 there was no longer the comfort that the Authority was working to an internally advance timescale where any delays would not impact on statutory deadlines. Whilst we had not experienced significant delays in recent years, if such delays were to arise this year there was a substantial risk that the audit would not be completed by the 31 July deadline.

There was also an increased likelihood that the Audit Certificate (which confirms that all audit work for the year has been completed) may be issued separately at a later date if work was still ongoing in relation to the Authority’s Whole of Government Accounts return and the Pension Fund Annual Report. This is not a matter of concern and is not seen as a breach of deadlines.

Our assessment and work undertaken:

The Authority produced its draft accounts in accordance with the advance timescales and we anticipate issuing our audit report on 24 July 2018.

In addition, whilst our work on the Whole of Government Accounts is ongoing at the date of this report we anticipate that it will be completed by 24 July and that as a result we will also be able to issue our Audit Certificate on that date.

Issue:

Changes to MRP Approach

Local authorities are required each year to set aside some of their revenues as provision for debt. More precisely, the provision is in respect of capital expenditure financed by borrowing or credit arrangements. There are a number of options set out in statutory regulations which Authorities may adopt when calculating the level of its Minimum Revenue Provision. When selecting an approach, the Authority is required to do so in a manner which ensures that the resulting provision represents the most prudent and appropriate result.

We understood that the Authority was considering revising the approach it adopts in relation to the calculation of the Minimum Revenue Provision for the year ending 31 March 2018 onwards.

Our assessment and work undertaken:

We have reviewed the Authority’s rationale for revising its approach to calculating its Minimum Revenue Provision and confirmed that it is compliant with the requirements of the Code and relevant Regulations.

In addition we are in the process of reviewing the calculations supporting the minimum revenue provision for the year ending 31 March 2018 to ensure that they are in line with the revised methodology and that the accounting entries made are appropriate.

Specific audit areas (cont.)

Other areas of audit focus – Authority (cont.)

Issue:

Prior Year IT Issues

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. Of particular importance are the general ledger (SAP) and the revenues and benefits system (Northgate).

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 enabled the user to change system parameters, alter individual transactions and delete the resulting audit trails.

There were 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 clarified the extent of the changes that could be undertaken through these accounts during our 2016/17 audit and confirmed that they included the ability to delete underlying data and change reporting functionality without testing or approval.

As a result of these issues we were unable to rely on the Authority’s IT environment during the 2016/17 and had to undertake specific additional substantive procedures and lower the testing and sensitivity thresholds applied throughout our final audit visit.

We understood that the Authority had taken appropriate steps to address these areas of weakness for the current year.

Our assessment and work undertaken:

We reviewed the actions taken by the Authority to address the issues set out above. This included confirming that:

- the SAP_ALL access profile has been deactivated; and
- the number of Northgate accounts with direct access to the underlying database has been reduced to an appropriate level.

As a result of this work we confirmed that the significant issues identified in prior years had been addressed and that the SAP_All access profile had been deactivated.

Whilst our work over the Authority’s IT control environment identified some further areas for improvement these were of a lower priority and have been communicated to management for resolution.

Specific audit areas (cont.)

Significant Audit Risks – Pension Fund

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error in relation to the Pension Fund.

Risk:	Valuation of hard to price investments <p>The Pension Fund invests in a wide range of assets and investment funds, some of which are inherently harder to value or do not have publicly available quoted prices, requiring professional judgement or assumptions to be made at year end. The pricing of complex investment assets may also be susceptible to pricing variances given the number of assumptions underlying the valuation.</p> <p>In the prior year financial statements, £198 million out of a total of £2,174 million of investments, or 9.1%, were in this harder to price category.</p>
Our assessment and work undertaken:	<p>As part of our audit of the Pension Fund, we independently verified a selection of investment asset prices to third party information and obtained independent confirmation on asset existence. We also tested the extent to which the Pension Fund had challenged the valuations reported by investment managers for harder to price investments and obtained independent assessment of the figures.</p> <p>As a result of this work we determined that the Pension Fund place reliance on valuations provided by the investment managers. We assessed the valuation of harder to price investments as reasonable.</p>

Other areas of audit focus – Pension Fund

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding in relation to the Pension Fund.

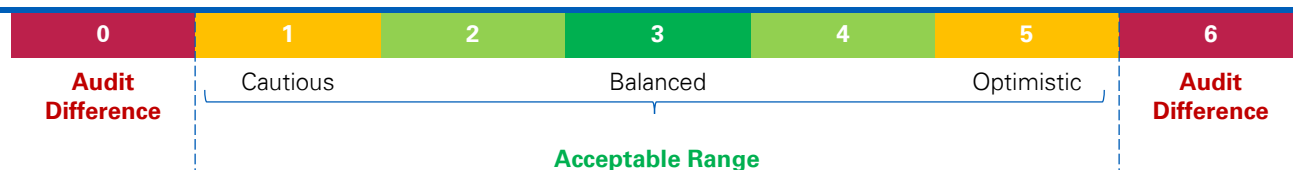
Issue:	Change in Custodian <p>During the year the Pension Fund has engaged a new Custodian (State Street). The role of the Custodian is to safeguard the pension assets.</p> <p>Where there is a change in Custodian there is a risk that, due to errors in the transfer of assets, the value of assets received by the new Custodian fails to reflect the closing value under the prior Custodian..</p>
Our assessment and work undertaken:	<p>We will confirmed that the value of assets recorded as received by State Street agrees to the closing values as reported by the previous Custodian with no issues being identified.</p>

In our *External Audit Plan 2017-18* we noted that there had been a significant staffing change in the Pension Fund’s financial reporting personnel since the 2016-17 audit. We have worked with the Pension Fund in order to minimise, so far as possible, any impact on our audit and can confirm that there has been no significant impact.

Judgements

We have considered the level of prudence within key judgements in your 2017-18 financial statements and accounting estimates. We have set out our view below across the following range of judgements.

Level of prudence



Subjective area	2017-18	2016-17	Commentary
Provisions (excluding Business Rates) 2018: £2.212m (2017: £2.613m)	3	3	The provisions balance (excluding NDR) has decreased by £0.4 million, mainly due to the PfP pension provision being fully utilised during the year with no need to create additional provisions for this matter. We have not identified any concerns relating to the provisions made by the Council.
Business Rates provision 2018: £1.804m (2017: £1.882m)	2	2	Since 2013/14 the Authority has been responsible for a proportion of successful rateable value appeals. The Authority provides for a fixed percentage of outstanding appeals in accounting for the potential liability. The Authority may wish to review its Non Domestic Rates (NDR) provisions in line with applicable accounting guidance. The Authority could perform this by reviewing its NDR provisions and incorporate historical appeals success rates to fairly reflect local information.
Property Plant & Equipment: HRA Assets 2018: £304.445m (2017: £287.876m)	3	0	<p>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 GVA Grimley 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 5.26% is in line with regional indices provided by Gerald Eve, the valuation firm engaged by the NAO to provide supporting valuation information.</p> <p>We have also compared the regional adjustment factor used as part of the Beacon Valuation Methodology to the DCLG guidance. We can confirm that the appropriate adjustment factor of 35% has been used for this financial period.</p> <p>The prior year assessment reflects the fact that the incorrect adjustment factor was used in the 2016-17 draft accounts.</p>
Property Plant & Equipment: Non-HRA Assets 2018: £1,137m (2017: £1,084m)	3	3	The Authority has a three year rolling programme of assets to be revalued. In 2017/18, the assets revalued included offices, libraries, youth centres and leisure centres. There were also other various miscellaneous buildings and new additions that have been revalued during the year. We have assessed the competence of the valuer used and have confirmed that the three year rolling programme ensures coverage over the Authority's asset base.

Judgements (cont.)

Subjective area **2017-18** **2016-17** **Commentary**

Valuation of pension assets and liabilities

Assets: 2018: £1,045m (2017: £971m)

Liabilities: 2018: £1,596m (2017: £1,584m)

3 **3**

The Authority continues to use Hymans Robertson to provide actuarial valuations in relation to the assets and liabilities recognised as a result of participation in the Local Government Pension Scheme. Due to the overall value of the pension assets and liabilities, small movements in the assumptions can have a significant impact on the overall valuation. For example, a 0.5% change in the discount rate would change the net liability by £152.6 million.

The actual assumptions adopted by the actuary fell within our expected ranges as set out below:

Assumption	Actuary Value	KPMG Benchmark	Assessment
Discount rate	2.60%	2.50%	2
Net discount rate	2.40%	2.16%	4
Salary Growth (CPI+)	0.3%	0%-2.0%	3
Life expectancy			
Current male / female	24.1 / 22.5	23.5 / 22.1	2
Future male/female	26.7 / 24.9	25.4 / 23.9	



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 2017-18 financial statements following approval of the Statement of Accounts by the Audit Committee on 24 July 2018.

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 (see Appendix 4) for this years audit was set at £9.000 million. Audit differences below £0.600 million are not considered significant.

We did not identify any material misstatements. We identified one non-material adjustment (see Appendix 3) that has been adjusted by management which related to a balance of £3.079 million of school debtors netting off against the sundry creditors balance. A reclassification has been raised to ensure the balance is reported on a gross basis.

In addition, we identified a small 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 2017-18 ('the Code'). We understand that the Authority will be addressing these where significant.

The tables below illustrate the total impact of audit differences on the Authority's movements on the General Fund and Housing Revenue Account for the year and balance sheet as at 31 March 2018. There is no impact on the General Fund and Housing Revenue Account as a result of audit adjustments.

In addition, we identified a small 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 2017-18 ('the Code'). We understand that the Authority will be addressing each of these where significant.

Movement on the General Fund 2017-18				Balance Sheet as at 31 March 2018			
£'000	Pre-Audit	Post-Audit	Ref ¹	£m	Pre-Audit	Post-Audit	Ref ¹
Surplus on the provision of services	7,821	7,821		Property, Plant & Equipment	1,136,801	1,136,801	
Adjustments between accounting basis and funding basis under regulations	(2,988)	(2,988)		Other long term assets	39,611	39,611	
Transfers to earmarked reserves	(9,642)	(9,642)		Current assets	120,771	123,850	T1.1
Increase in General Fund and Housing Revenue Account	(4,809)	(4,809)		Current liabilities	(106,521)	(109,600)	T1.1
Of which:				Long term liabilities	(972,886)	(972,886)	
General Fund	410	410		Net worth	217,776	217,776	
Housing Revenue Account	(5,219)	(5,219)		General Fund	12,944	12,944	
				Housing Revenue Account	17,951	17,951	
				Other useable reserves	109,080	109,080	
				Unusable reserves	77,801	77,801	
				Total Reserves	217,776	217,776	

¹ See referenced adjustments in Appendix 3.

Proposed opinion and audit differences (cont.)

Annual governance statement

We have reviewed the Authority's 2017-18 Annual Governance Statement and confirmed that it is not misleading and is consistent 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 2017-18 narrative report and are awaiting a revised version to ensure the suggested adjustments have been made.



Pension Fund financial statements

Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion on the Pension Fund's 2017-18 financial statements following approval of the Statement of Accounts by the Pension Fund Committee on 24 July 2018.

Pension Fund audit

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

For the audit of the Fund we used a materiality level of £25.0 million. Audit differences below £1.25m are not considered significant.

We have set out the significant audit differences in Appendix 3 and it is our understanding that these will be adjusted in the final version of the financial statements.

In addition, we identified a small number of presentational adjustments. We understand that the Fund will be addressing these where significant.

Fund account as at 31 March 2018			
£m	Pre-Audit	Post-Audit	Ref ¹
Opening net assets of the scheme	2,187	2,187	
Contributions	104	104	
Benefits	(87)	(87)	
Management expenses	(13)	(9)	T2.1
Return on investments	207	203	T2.1
Closing net assets of the scheme	2,398	2,398	

Net assets as at 31 March 2018			
£m	Pre-Audit	Post-Audit	Ref ¹
Net investments	2,382	2,398	
Net current assets	16	16	
Net assets of the scheme	2,398	2,398	

¹ See referenced adjustments in Appendix 3.

Annual report

The Pension Fund Annual Report has not been prepared yet and we 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.

We anticipate issuing an unqualified opinion on the Pension Fund Annual Report at the same time as our opinion on the Statement of Accounts.

Completion

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's 2017-18 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 2018, 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.

We have provided a detailed declaration in Appendix 6 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 Ian Duncan 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 2017-18 financial statements.

Section three

Value for Money Arrangements



Specific value for money risk areas

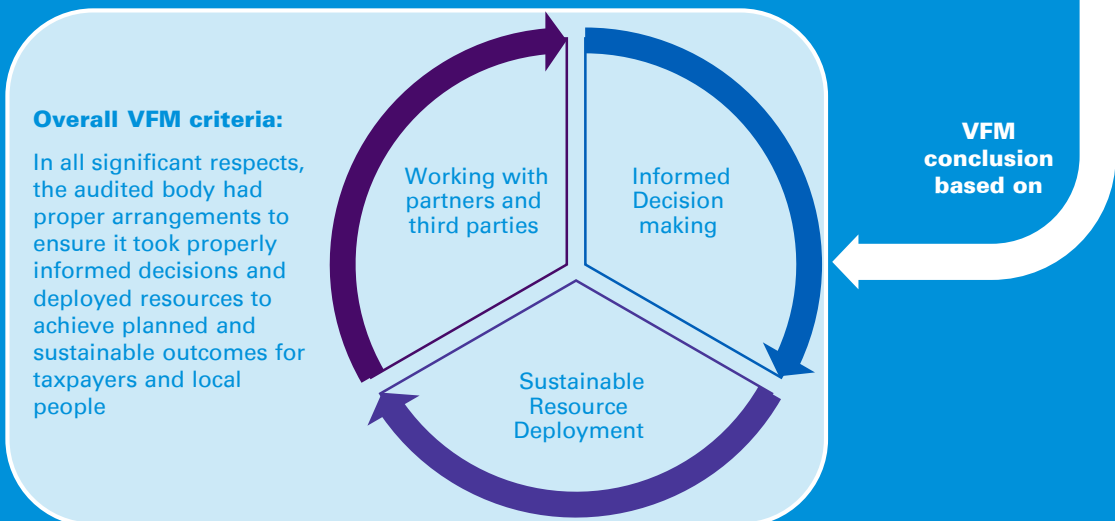
Our 2017-18 VFM conclusion considers whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

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.

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.'

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



Specific value for money risk areas (cont.)

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

Applicability of VFM Risks to VFM sub-criteria			
VFM Risk	Informed decision making	Sustainable resource deployment	Working with partner and third parties
Delivery of budgets	✓	✓	✓

In consideration of the above, we have concluded that in 2017-18, 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.

Our work identified the following areas of weakness in the Authority’s arrangement which we have raised in appendix 1:

- Monitoring of saving plans throughout the period (see recommendation two); and
- Maintaining an accurate and up to date contracts register (see recommendation three).

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



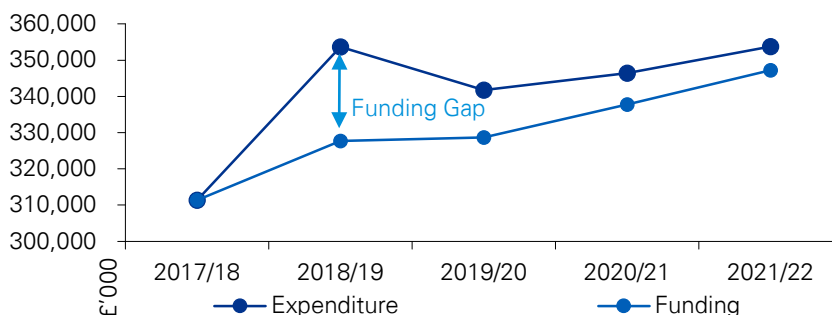
Specific value for money risk areas (cont.)

As communicated to you in our *External Audit Plan 2017-18*, we have identified one risk requiring specific audit attention and procedures to address the likelihood that proper arrangements are not in place to deliver value for money.

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.

We have provided below a summary of the risk areas identified, our work undertaken and the conclusions reached.

<p>Risk:</p>	<p>Delivery of budgets</p> <p>The Authority identified the need to make savings of £13 million in 2017/18 and delivered an underspend of £0.4 million during the year.</p> <p>The Authority's budget for 2018/19 was approved at the Council meeting on 20 February 2018 and recognises a need for £26 million in savings of which £4 million will be met as a result of transformation decisions already taken by the Authority. The approved budget included individual proposals to support the delivery of the overall savings requirement. Further savings of £31 million will be required over the period 2019 to 2022 to principally address future reductions to local authority funding alongside service cost and demand pressures. As a result, the need for savings will continue to have a significant impact on the Authority's financial resilience</p>
<p>Our assessment and work undertaken:</p>	<p>Like most of local government, the Authority faces a challenging future driven by funding reductions and an increase in demand for services.</p> <p>The Authority reported a small underspend position on its net expenditure budget for 2017/18. This enabled the General Fund balance to increase to £12.9 million as of 31 March 2018.</p> <p>The Authority's MTFP details a balanced budget for 2018/19 including savings of £26.0 million in year, all of which have been 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 £54.2 million by 2020/21. Whilst the Council has identified areas to deliver savings, we believe there is greater scope to monitor and track these projects to ensure accountability and progress reporting.</p>



Specific value for money risk areas (cont.)

Significant VFM Risks (cont.)

Our assessment and work undertaken (cont.):

Delivery of Budgets (cont.)

As part of our additional risk based work, we have reviewed the controls the Authority has in place to ensure financial resilience, specifically that the Medium Term Financial Plan has duly taken into consideration factors such as funding reductions, salary and general inflation, demand pressures, restructuring costs and sensitivity analysis given the degree of variability in the above factors. In addition we have considered the way in which the Authority identifies, approves, and monitors both savings plans and income generation projects. We have raised two recommendations in relation to the tracking of savings plans and updating contracts register (see Appendix 1).

Appendices

A close-up photograph of a person's right hand holding a silver pen, writing on an orange sticky note attached to a whiteboard. The hand is wearing a silver metal-link wristwatch. In the background, several other colorful sticky notes (pink, purple, green, and blue) are visible on the whiteboard surface. The image is split horizontally by a purple band containing the title 'Appendices'.

Appendix 1:

Key issues and recommendations

Our audit work on the Authority’s 2017-18 financial statements has identified a small number of issues. We have listed these issues in this appendix together with our recommendations which we have agreed with Management. We have also included Management’s responses to these recommendations.

The Authority should closely monitor progress in addressing the risks, including the implementation of our recommendations.

We have given each recommendation a risk rating and agreed what action management will need to take.

Priority Rating for Recommendations

High	<p>Priority One: 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.</p>	Medium	<p>Priority Two: 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.</p> <p style="text-align: right;">Recommendations Raised: 2</p>	Low	<p>Priority Three: Issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.</p> <p style="text-align: right;">Recommendations Raised: 1</p>
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No.	Risk	Issue & Recommendation	Management Response
1	Medium	<p>Related Parties Audit Trail</p> <p>The Council is required by IAS 24 to disclose related parties to draw attention to the possibility that its financial position may have been affected by the existence of related parties.</p> <p>The Council currently keeps a list of member’s interests on the website in order to identify related parties. However, upon audit testing, it was identified that the original submissions are not kept.</p> <p>Risk</p> <p>The Council do not currently have an auditable system of capturing related parties. This is important to ensure that declarations are updated and complete.</p> <p>Recommendation</p> <p>The Council should introduce a method to ensure that original declarations are retained and ensure that this can be subject to audit.</p>	<p>The process will be reviewed and amended as appropriate.</p> <p>Responsible Officer</p> <p>Paul Kelly – Head of Democratic Services</p> <p>Implementation Deadline</p> <p>31 December 2018</p>

Key issues and recommendations (cont.)

No.	Risk	Issue & Recommendation	Management Response
2	Medium	<p>Outdated Contracts Register</p> <p>The Council currently has an outdated contracts register. For example, there is a contract still listed with Balfour Beatty which was ended in FY 2016.</p> <p>Risk</p> <p>A contracts register acts as an important financial document to monitor key business transactions and ensure financial statements reflect Council arrangements.</p> <p>Recommendation</p> <p>The Council should ensure that the Contract register is updated and continues to be amended upon the creation or cessation of contracts.</p>	<p>The process will be reviewed and amended as appropriate.</p> <p>Responsible Officer</p> <p>Wayne Welsby – Head of Strategic Procurement</p> <p>Implementation Deadline</p> <p>31 December 2018</p>
3	Low	<p>Tracking of Budget Savings</p> <p>The Council is facing an unprecedented level of savings to deliver in the 2018-19 financial year, with further savings required until 2020-21 in order to deliver a balanced budget. We recognise that the Council has a strong track record of delivering against its savings plans through a RAG rating approach. Due to the level of savings required going forward however it is likely that the Authority will need to monitor savings plans on a more granular level in order to ensure that it delivers its budgets.</p> <p>Risk</p> <p>The Council has a good historical record in achieving planned savings, however, these are likely to be increasingly difficult to achieve and will require increased monitoring to identify areas of slippage.</p> <p>Recommendation</p> <p>The Council should continue to monitor budget savings and ensure this is performed at a sufficiently granular level as to ensure savings performance is tracked at an individual project level.</p> <p>This will help ensure accountability of delivery and will ensure there is appropriate time to adapt for cases of underperformance.</p> <p>We are aware that the Council has already begun a revised and improved process to ensure this is completely on a timely period throughout the year.</p>	<p>The Council will continue to monitor budget savings. As mentioned in the recommendation we have already strengthened this monitoring process due to the level of savings in the 2018/19 budget. Reports will be taken regularly to ensure accountability and delivery.</p> <p>Responsible Officer</p> <p>Ian Duncan – Interim Director, Finance & Procurement Matthew Tiller – Chief Accountant</p> <p>Implementation Deadline</p> <p>Already implemented</p>

Follow-up of prior year recommendations

The Authority has implemented all of the recommendations raised through our previous audit work.

This appendix summarises the progress made to implement the recommendations identified in our *ISA 260 Report 2016/17* and re-iterates any recommendations still outstanding.

Number of recommendations that were

Included in the original report	1
Implemented in year or superseded	1
Outstanding at the time of our final audit	-

No.	Risk	Issue & Recommendation	Management Response	Status as at July 2018
1	1	<p>IT Control Failures The control failings identified can be summarised as follows:</p> <p><i>SAP IT Issues</i> 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 creating a potential for unlimited access to change system parameters and alter audit trails without detection.</p> <p><i>Northgate IT Issues</i> 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>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 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> 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> 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> 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 Steve Vercella (Head of ICT)</p> <p>Deadline for Implementation High risk areas Complete. Most medium and low risk already complete, but final target 31/12/2017.</p>	<p>We have used internal KPMG IT specialists to perform testing over the Council's IT environment during the year. It was found that there was appropriate monitoring of SAP_ALL access by the Council. We also confirmed that the level of access to the Northgate underlying database had also been reviewed.</p> <p>Whilst we identified a number of more minor issues that could be improved, none of these warranted communication to the Audit Committee. All matters have been fully communicated to management for resolution.</p> <p>Status: Closed.</p>

Appendix 3:

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 minor amendments focused on presentational improvements have also been made to the 2017-18 draft financial statements. The Finance team is committed to continuous improvement in the quality of the financial statements submitted for audit in future years.

Adjusted audit differences – Authority

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 2018. 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 – Authority (£'000)

No.	Income and expenditure statement	Movement in reserves statement	Assets	Liabilities	Reserves	Basis of audit difference
1			DR Sundry Debtors 3,079	CR Sundry Creditors (3,079)		There was a balance of school debtors netting off the sundry creditors balance. A reclassification has been raised to ensure the balance is reported on a gross basis.
	Nil	Nil	DR 3,079	CR (3,079)	Nil	Total Impact of Adjustments

Unadjusted audit differences

We have not identified any unadjusted audit differences for the year ended 31 March 2018.

Appendix 3:

Audit differences (cont.)

Adjusted audit differences – Pension Fund

The following table sets out the significant audit differences identified by our audit of Wiltshire Pension Fund's financial statements for the year ended 31 March 2018. 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 2: Adjusted audit differences – Pension Fund (£'000)

No.	Fund Account	Assets	Liabilities	Reserves	Basis of audit difference
1	DR Change in market value 3,565				Management had double-posted a transaction to recognise investment manager transaction costs. This adjustment amends that by reversing one of the transactions. The effect is to increase the change in market value and to decrease management expenses, with no net effect on the fund account.
	CR Management expenses (3,565)				
	Nil	Nil	DR	CR	Total Impact of Adjustments

Unadjusted audit differences

We have not identified any unadjusted audit differences for the year ended 31 March 2018.

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 2017-18*, presented to you in February 2018.

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, an individual difference is considered to be clearly trivial if it is less than £0.600 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 £25.000 million which is approximately 1.0 percent of gross assets.

We design our procedures to detect errors at a lower level of precision, set at £18.750 million for 2017-18.

Appendix 5:

Required communications with the Audit Committee

We have provided below at-a-glance summary of the information we are required to report to you in writing by International Accounting Standards.

Required Communication	Commentary
Our draft management representation letter	We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2018.
Adjusted audit differences	<p>We have identified one adjusted audit differences with a total value of £3.079 million in the Authority's financial statements. See page 31 for details. These adjustments result in no impact on either the reported surplus on provision of services or the General Fund balance.</p> <p>Our audit of the Pension Fund also identified one adjusted audit differences with a total value of £3.565 million. See page 32 for details. These adjustments result in a net increase of £3.565 million in the reported net increase in the fund.</p>
Unadjusted audit differences	We have identified no unadjusted differences as a result of our audit of the Authority's and Pension Fund's financial statements
Related parties	There were no significant matters that arose during the audit in connection with the entity's related parties.
Other matters warranting attention by the Audit Committee	There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
Control deficiencies	<p>We have set out our assessment of the Authority's internal control environment, including confirmation that there were no significant deficiencies identified, in Section one of this report (see pages 5-7).</p> <p>We communicated to management in writing all deficiencies in internal control over financial reporting of a lesser magnitude than significant deficiencies identified during the audit that had not previously been communicated in writing as a result of our IT work and also verbally during the Final Audit Meeting on 28 June 2018.</p>
Actual or suspected fraud, noncompliance with laws or regulations or illegal acts	We identified no actual or suspected fraud involving the Authority's Member or officers with significant roles in internal control, or where the fraud resulted in a material misstatement in the financial statements.
Significant difficulties	No significant difficulties were encountered during the audit.
Modifications to auditor's report	There are no modifications to our audit report.
Disagreements with management or scope limitations	The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.
Other information	<p>No material inconsistencies were identified related to other information in the Narrative Report or Annual Governance Statement.</p> <p>These reports were found to be fair, balanced and comprehensive, and compliant with applicable requirements.</p>

Appendix 5:

Required communications with the Audit Committee (cont.)

Required Communication	Commentary
Our declaration of independence and any breaches of independence	No matters to report. The engagement team and others in the firm, as appropriate, the firm and, when applicable, KPMG member firms have complied with relevant ethical requirements regarding independence. See Appendix 6 for further details.
Accounting practices	Over the course of our audit, we have evaluated the appropriateness of the Authority's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate. We have set out our view of the assumptions used in valuing pension assets and liabilities at page 17.
Significant matters discussed or subject to correspondence with management	There were no significant matters arising from the audit which were discussed, or subject to correspondence, with management.



Declaration of independence

ASSESSMENT OF OUR OBJECTIVITY AND INDEPENDENCE AS AUDITOR OF WILTSHIRE COUNCIL

Professional ethical standards require us to provide to you at the conclusion of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code of Audit Practice, the provisions of Public Sector Audit Appointments Limited's ('PSAA's') Terms of Appointment relating to independence, the requirements of the FRC Ethical Standard and the requirements of Auditor Guidance Note 1 - General Guidance Supporting Local Audit (AGN01) issued by the National Audit Office ('NAO') on behalf of the Comptroller and Auditor General.

This Statement is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

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 partners, Audit Directors and staff annually confirm their compliance with our ethics and independence policies and procedures. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications
- Internal accountability
- Risk management
- Independent reviews.

In relation to the audit of the Pension Fund financial statements the conclusion of the audit engagement leader as to our compliance with the FRC Ethical Standard is subject to review by an engagement quality control reviewer, who is an Audit Director not otherwise involved in your affairs

We are satisfied that our general procedures support our independence and objectivity.

Independence and objectivity considerations relating to the provision of non-audit services

Summary of fees

We have considered the fees charged by us to the authority and its controlled entities for professional services provided by us during the reporting period. We have detailed the fees charged by us to the authority and its controlled entities for significant professional services provided by us during the reporting period in Appendix 7, as well as the amounts of any future services which have been contracted or where a written proposal has been submitted. Total fees charged by us for the period ended 31 March 2018 can be analysed as shown on the following page.

Appendix 6:

Declaration of independence (cont.)

	2017-18 £	2016-17 £
Audit of the Authority	167,420	167,420
Audit of the Pension Fund	24,246	24,246
Additional work related to 2016-17 IT issues ¹	-	13,142
Total audit services	191,666	204,808
Allowable non-audit services	2,700	6,250
Audit related assurance services	8,500	6,000
Mandatory assurance services	16,916	21,165
Total Non Audit Services	28,116	33,415

¹ This amount was charged to the Authority in 2017-18 following final determination by PSAA Ltd.

We are required by AGN 01 to limit the proportion of fees charged for non-audit services (excluding mandatory assurance services) to 70% of the total fee for all audit work carried out in respect of the Authority under the Code of Audit Practice for the year. The ratio of non-audit fees to audit fees for the year was 0.14:1. We do not consider that the total of non-audit fees creates a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

We confirm that there were no non-audit services which required approval by the audit committee.

In addition, no approvals have been required from PSAA as no non-audit services above the relevant thresholds were provided by us during the reporting period.

Facts and matters related to the provision of non-audit services and the safeguards put in place that bear upon our independence and objectivity, are set out table on the following page.

Appendix 6:

Declaration of independence (cont.)

Analysis of Non-audit services for the year ended 31 March 2018

Description of scope of services	Principal threats to independence and Safeguards applied	Basis of fee	Value of services delivered in the year ended 31 March 2018 £	Value of services committed but not yet delivered £
Allowable non-audit services				
Review of the Medium Term Financial Plan	<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.</p> <p>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>	Fixed daily rate	2,700	-
Audit-related assurance services				
Grant Certification – Homes England PPA Compliance, Teachers Pensions Return and Pooling of Housing Capital Receipts Return	The nature of these audit-related services is to provide an independent report on each of these returns by way of Agreed Upon Procedures. As such we do not consider them to create any independence threats.	Fixed Fee	8,500	6,000
Mandatory assurance services				
Grant Certification – Housing Benefit Subsidy Return	The nature of this mandatory assurance service is to provide independent assurance on each of the returns. As such we do not consider it to create any independence threats.	Fixed Fee	21,165	16,916

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit Committee.

Appendix 6:

Declaration of independence (cont.)

Confirmation of audit independence

We confirm that as of the date of this report, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff is not impaired.

This report is intended solely for the information of the Audit Committee of the authority and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

KPMG LLP

Appendix 7:

Audit fees

As communicated to you in our *External Audit Plan 2017-18*, our scale fee for the audit is £167,420 plus VAT (£167,420 in 2016/17), which is consistent from the prior year.

Our work on the certification of the Authority's Housing Benefit Subsidy return is planned for September 2017. The planned scale fee for this is £16,916 plus VAT (£21,165 in 2016/17). Planned fees for other grants and claims which do not fall under the PSAA arrangements amount to £8,500 plus VAT (£6,000 in 2016/17), see further details below.

Component of the audit	2017-18 Planned Fee £	2016-17 Actual Fee £
Accounts opinion and value for money work		
PSAA Scale fee (Wiltshire Council)	167,420	167,420
PSAA Scale fee (Wiltshire Pension Fund)	24,246	24,246
Additional fee in relation to 2016-17 IT Issues	-	13,142
Total audit services	191,666	204,808
Mandatory assurance services		
Housing Benefits Certification (work planned for September 2018)	16,916	21,165
Total mandatory assurance services	16,916	21,165
Audit-related assurance services		
Teachers' Pension Return (work planned for August 2018)	3,000	3,000
Pooling of Housing Capital Receipts (work planned for August 2018)	3,000	3,000
Homes England PPA Compliance (Completed)	2,500	-
Total audit-related assurance services	8,500	6,000
Allowable non-audit services		
Medium Term Financial Planning Review	2,700	6,250
Total allowable non-audit services	2,700	6,250
Total non-audit services	28,116	33,415
Grand total fees for the Authority	219,782	238,223

All fees quoted are exclusive of VAT.





The key contacts in relation to our audit are:

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kpmg.com/uk



This report is addressed to 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. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

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WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND LOCAL PENSION BOARD
11 October 2018

PENSION FUND – FUND PROCUREMENT PROCESS

Purpose of the Report

1. This report sets out the Fund's robust and proper procurement practices which are in place and enable the Fund to ensure best value from its service providers in conjunction with Wiltshire Council policy.

Background

2. The Fund procures the external services it requires in accordance Part 10 of Wiltshire Council's constitution on Procurement and contract rules. It also operates in accordance with Wiltshire Council's procurement strategy 2016/20.
3. Wiltshire Council's procurement strategy to commission services which has been adopted by the Fund involves the four key stages of; preparation & specification, procurement, contract management & review. Fund officers receive specific training in relation to procurement either from the Council's procurement department or the Council's appointed external contract management consultants Newcomen Consultancy.
4. Procured contractual services are categorised by officers on the basis of value, risk & complexity and are appointed typically either via a National Framework arrangement or by Request for Quotation (RFQ). Service providers are then categorised in terms of their value on a Platinum, Gold, Silver & Bronze rating.
5. A schedule of procured external service providers is maintained by Fund officers who ensure that all new contracts have KPI's, scope of service definition & fee definition incorporated into the contracts so that performance monitoring can be implemented going forward. The implementation of the contractual review process will also typically commence 6 months prior to the cessation of the existing arrangement.
6. At present officers are undertaking a review of all the Fund's procured services driven by 3 overarching requirements. These are;
 - a) Existing services which are approaching the end of their contractual term;
 - b) Ensuring that all services are compliant with GDPR; and
 - c) Reviewing the procured services being offered to ensure that the scope of service is consistent with the Fund's needs, notably in the area of software capability.

Considerations for the Board

7. The appointment of external advisors and service providers can broadly be broken down into three categories:
 - A). Appointment is required by legislation. For example, the Scheme Actuary and AVC provider;
 - B). Fully contracted out services (no legislative requirement). For example, tracing agents, legal support (although includes within Wiltshire Council's legal department) & software provision and support.

C). Partially contracted out services. For example, consultancy on benefits, governance and investment matters

Category B relates to specialised areas which the Fund does not have the scale to appoint specialised staff or infrastructure to operate in-house. Category C relates to areas which the Fund will choose on a case by case basis whether to use in-house resource or use a consultant under one of the contracts in place.

8. Wiltshire Council's contract management consultants Newcomen Consultancy have indicated that on average 2% of the value of each contract managed reflects the resource required to manage that contract. Based on that guidance Officers recognise that the Procurement & Contract management work alone would fully employ a senior member of the Fund's officer team.
9. Guidance from Wiltshire's independent consultants also indicate that up to 9% of the value of a contract can be lost if it is not managed effectively. The approach highlighted by Officers above therefore sets out to ensure that any loss of contractual value is kept to a minimum.
10. As part of the Fund's procurement process, Officers also give consideration to any potential conflicts of interest that may arise among its service providers. For example, where a merger or acquisition has taken place by the Fund's service providers.

Conclusions

11. The schedule of services providers maintained by Officers currently records 44 service contract/providers to the Fund. 28 relating to Administration & 16 in connection with Investments. In view of the items specified in point 6 above & the transfer of investment manager services to the Brunel Pension Partnership over the next 12 months, procurement & contractual management work will represent a significant commitment of resource by Officers for the foreseeable future.

Environmental Impact

12. There is no environmental impact from this report.

Financial Considerations

13. There are no immediate financial considerations, however the importance of completing this work appropriately is essential to ensure high levels of financial stewardship for the Fund going forward.

Risk Assessment

14. There are no risks identified at this time. Officers of the Fund can call upon the Council's Procurement, Governance & Legal services teams to mitigate potential risks.

Legal Implications

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

16. There are no implications at this time.

Proposals

17. The Board is asked to note the self-assessment undertaken by Officers.

ANDY CUNNINGHAM

Head of Pensions Administration and Relations

Report Author: Richard Bullen – Fund Governance & Performance Manager

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WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD

11 October 2018

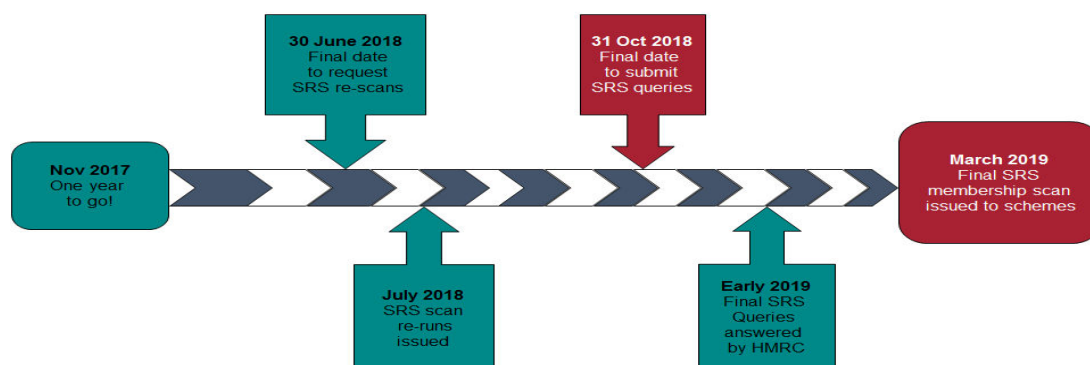
Guaranteed Minimum Pension (GMP) Project Update

Purpose of the Report

1. With the introduction of the Single State Pension and abolition of Contracting-out in 2016 a reconciliation of GMP records is taking place between HMRC and the Fund's records. The purpose of this report is to provide a second annual update on the progress of the project.

Background

2. As mentioned in the October 2017 update, the LGPS was a contracted-out pension scheme & Wiltshire Pension Fund (WPF) had 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 GMP.
3. On payment of a pension the WPF becomes responsible for certain elements with regard to pension increases including the GMP after a member's SPA. From April 1997 to April 2016 the nature of contracting out changed and the LGPS became required to meet an alternative test called the scheme reference test, which no longer involved a GMP value.
4. Due to the cessation of contracting out in April 2016 Schemes have consequently been advised to reconcile their GMP values and dates that they hold for their members with those calculated by HMRC, or they could face making overpayments of pensions to existing members and even accept a liability for individuals for whom they have no responsibility.
5. Until October 2018, schemes are able to challenge the information provided by HMRC where they believe discrepancies are the result of errors on HMRC's part, after this date, no further challenges will be accepted. The table below illustrates HMRC's timeline for reconciliation of this stage (Stage 2) to March 2019.



6. It should be noted that it was originally intended that HMRC would start to issue statements to individuals after December 2018 following the reconciliation process & HMRC and the Department for Work and Pensions (DWP) were considering whether this communication should include a Guaranteed Minimum Pension (GMP) calculation. However, it has now been agreed with the DWP that HMRC won't send any communications to individuals as previously planned. This change has been made because there have been developments in the provision of pension scheme information since HMRC first started the changes to end contracting-out.

Considerations for the Board

7. Over the last 12 months significant progress has been made on the WPF's project to reconcile their GMP's with HMRC which has been categorised into 4 key stages by the LGA. These stages are;
 - Stage 1 – Project assesment
 - Stage 2 – Review data inconsistencies, raise with HMRC & agree outcome
 - Stage 3 – “Rectification” whereby LGPS pensions will be reviewed & adjusted, as required
 - Stage 4 – Project completion

All WPF GMP information has been loaded, queries raised with HMRC & staff are reviewing the responses to those queries received from HMRC which include stalemate cases.

8. For the WPF two key areas now remain in Stage 2. The first is an internal exercise to increase the GMP values received from HMRC to their current day valuation. An exercise which can be performed using the Scheme's pension database automated calculation routines. The second being to continue to process any outstanding inconsistencies already identified between HMRC & the WPF.
9. It should be noted that although considerable progress has been made in reconciling & cleaning the contracting out data with HMRC a perfect data cleansing exercise is unlikely to be achieved. Key reasons for this include;
 - a) The acceptance of data in accordance with national agreed data tolerance standards
 - b) Stalemate cases, where neither party agree that responsibility should be theirs. An example of this being where a Scheme Employer has informed HMRC that a person was a member of the WPF, but informed the WPF that they weren't. Typically the Scheme Employer has assigned National Insurance information to the incorrect Scheme Contracting Out Number (SCON), due to it operating more than one contracted out pension scheme. The ability to unpick this error may not be practical if the payroll record have not been kept, or if the size of the liability makes correction not financially viable.
 - c) 2R cases where LGPS Schemes only hold the liability for a part period, due for example where a member has transferred from one LGPS to another during their Public Service employment. HMRC considers their Public Service employment as one employment.
10. Focus is now turning to the arrangements for Stage 3 – Rectification of the GMP values with the pension payroll. A South West Area Pension Officers Group (SWAPOG) meeting took place on 2nd October to consider the implications of this exercise. Areas of discussion included;

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). Where any post 1988 accrued GMP would only produce an overpayment where the increase was in excess of 3% any pre 1988 GMP would be on the total GMP figure.

Unauthorised payment tax charges – How this would need to be managed with HMRC

Treatment of Dependant benefits – Particulatly where a pensioner has died during the reconciliation process

Compensating pensioners – Developing a strategy that will treat all customer fairly

11. The intend outcome of the meeting was to reach an agreed approach amongst all South West LGPS' which will be referred onwards to a national level. It is hoped that other regional working Groups will be presenting similar recommendations to the LGA at a national level enabling the LGA to negotiate with bodies like HMRC & the DWP at the same level.
12. An agreed policy for amending and correcting pensions can then be implemented by the WPF, confident that its approach will be consistent with the decisions taken by other LGPS Funds. Officers will update both the Pension Committee & Board on any agreed policy that is communicated.

Environmental Impact of the Proposal

13. Not applicable.

Financial Considerations & Risk Assessment

14. 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.
15. The GMP exercise is highlighted as a risk on the Risk Register and the Fund has ensured adequate resources are allocated to this project.

Legal Implications

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

17. There are no known implications at this time.

Reasons for Proposals

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

Proposals

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

Andy Cunningham
Head of Pensions, Administration & Relations

Report Author: Richard Bullen, Fund Governance & Performance Manager

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



Government
Actuary's
Department

Local Government Pension Scheme England and Wales

Review of the Actuarial Valuations of
Funds as at 31 March 2016 Pursuant
to Section 13 of the Public Service
Pensions Act 2013

Executive Summary

Date: 27 September 2018

Author: Martin Clarke, John Bayliss



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Executive summary

- 1.1 The Government Actuary has been appointed by the Ministry of Housing, Communities and Local Government (MHCLG) to report under section 13 of the Public Service Pensions Act 2013 in connection with the actuarial valuations of the 91 funds in the Local Government Pension Scheme in England and Wales ('LGPS' or 'the Scheme').
- 1.2 Section 13 requires the Government Actuary (GAD) to report on whether the following aims are achieved:
 - compliance
 - consistency
 - solvency
 - long term cost efficiency
- 1.3 This is the first formal section 13 report. This report is published as three documents: the executive summary, the report and appendices. A 'Dry Run' was produced in respect of the 2013 valuations and published in 2016.¹
- 1.4 This report is based on the actuarial valuations of the 91 funds, other data provided by the funds and their actuaries, and a significant engagement exercise with affected funds. We are grateful to these stakeholders for their assistance in preparing this report. We are committed to preparing a section 13 report that makes practical recommendations to advance the aims listed above. We will continue to work with stakeholders to advance these aims and expect that our approach to section 13 will continue to evolve to reflect ever-changing circumstances and feedback received.

Overall comments

- 1.5 In aggregate, the LGPS is in a strong financial position and funds have made significant progress since the 2013 valuation based on the criteria that:
 - total assets have grown in market value from £180bn to £217bn. The aggregate funding level on prudent local bases has improved from 79% to 85% at 2016
 - the improved funding level (assets divided by liabilities) is due in part to the significant financial contributions from LGPS employers (total contributions in the three years covered by the 2013 valuation report were £6.9bn per year, on average of which approximately £2bn per year were deficit recovery payments), as well as better than expected returns on assets
 - on our best estimate basis, the LGPS was in surplus in aggregate at 2016 (funding level approximately 106%), and around 60 of the 91 individual funds were in surplus. This means that we expect there is, on average, a greater than 50% chance that existing assets would be sufficient to cover benefits in respect of accrued service when they fall due
- 1.6 Significant progress has been made by a number of funds that were highlighted in the dry run, which we welcome:
 - South Yorkshire Passenger Transport Fund's assets and liabilities have been transferred to Greater Manchester Pension Fund, to remove the specific risk arising from the fund being backed by a single private sector employer

¹ <http://www.lgpsboard.org/images/Reports/Section13DryRun20160711.pdf>

- Berkshire and Somerset Pension Funds have taken steps to increase their employer contributions which has helped reduce our concerns regarding long term cost efficiency
- a consistent definition of Primary and Secondary Contribution Rates has been agreed between the four firms of actuarial advisors that undertake local valuations, which has gone a long way towards improving consistency of valuation reporting

- 1.7 We also consider it our role to highlight specific areas where risks may be present. We have looked at a range of metrics to identify potential issues in respect of solvency and long term cost efficiency. Each fund's score under each measure is colour coded (red, amber or green). In total, 70 out of 89 funds tested had green flags on all solvency and long term cost efficiency metrics. This is a significant improvement compared with the previous dry run report (52 out of 90). There are a total of 20 amber and 2 red flags, which is again a significant improvement compared with the dry run (58 amber, 5 red).
- 1.8 Based on the criteria above, the Scheme is in a strong financial position, and has made significant progress since the dry run. To further improve transparency and comparability, we consider it would be helpful for administering authorities and other stakeholders if they were able to make meaningful comparisons between the 91 actuarial valuations. Consequently this report makes three recommendations on consistency which affect all the funds. It also makes one specific recommendation on solvency (affecting one fund) and one recommendation on long term cost efficiency (affecting all funds).
- 1.9 We set out below our findings on each of the four aims and our recommendations.

Compliance

- 1.10 Our review indicated that fund valuations were compliant with relevant regulations on the basis described in Chapter 2 of this report.

Consistency

- 1.11 We interpreted 'not inconsistent' to mean that methodologies and assumptions used, in conjunction with adequate disclosure in the report, should facilitate comparison by a reader of the reports.
- 1.12 Readers of the actuarial valuations face two difficulties in making meaningful comparisons between the reports:
- presentational: information is presented in different ways in different reports (eg funding levels), and sometimes information is contained in some reports but not others (eg life expectancies), so readers may have some difficulties in locating the information they wish to compare. We call this presentational inconsistency
 - evidential: even when the reader has located the relevant information (eg funding levels), differences in the underlying methodology and assumptions mean that it is not possible to make a like-for-like comparison. We call this evidential inconsistency. We believe that local circumstances may merit different assumptions (eg financial assumptions are affected by the current and future planned investment strategy, different financial circumstances leading to different levels of prudence adopted). However, in some areas, it appears that the choice of assumptions is more dependent on the house view of the particular firm of actuaries advising the fund, than on the local circumstances of the fund
- 1.13 There has been an improvement in consistency of presentation of contribution rates emerging from the 2016 valuations.

1.14 However, despite this welcome improvement, inconsistencies remain, both presentational and evidential. Our recommendations are designed to:

- encourage the presentation of results in a consistent way which is easy to understand and compare across the whole LGPS
- move towards an assumption set that differs from one fund to another only where local conditions justify it, rather than being dependent on the house view of a particular actuarial advisor

Recommendation 1: We recommend that the Scheme Advisory Board should consider how best to implement a standard way of presenting relevant disclosures in all valuation reports to better facilitate comparison, with a view to making a recommendation to the MHCLG minister in advance of the next valuation. We have included a draft dashboard in this report to facilitate the Scheme Advisory Board's consultation with stakeholders.

Recommendation 2: We recommend that the Scheme Advisory Board should consider what steps should be taken to achieve greater clarity and consistency in actuarial assumptions, except where differences are justified by material local variations, with a view to making a recommendation to the MHCLG minister in advance of the next valuation.

1.15 In relation to academies, we support the work of the SAB in seeking to simplify and streamline administration processes, noting that these improvements are not just relevant to academies, but to all employer

groups. We expect this to lead to more consistent data quality, which in turn assists consistency objectives.

Recommendation 3: We recommend that the Scheme Advisory Board seeks a common basis for future conversions to academy status that treat future academies more consistently, with a view to making a recommendation to the MHCLG minister in advance of the next valuation.

Solvency

1.16 As set out in CIPFA's Funding Strategy Statement Guidance,² the rate of employer contributions shall be deemed to have been set at an appropriate level to ensure solvency of the pension fund if:

- the rate of employer contributions is set to target a funding level for the whole fund (assets divided by liabilities) of 100% over an appropriate time period and using appropriate actuarial assumptions (where appropriateness is considered in both absolute and relative terms in comparison with other funds)

and either:

- employers collectively have the financial capacity to increase employer contributions, should future circumstances require, in order to continue to target a funding level of 100%

or

- there is an appropriate plan in place should there be, or if there is expected in future to be, no or a limited number of fund employers, or a material reduction in the capacity of fund employers to increase contributions as might be needed

² <http://www.cipfa.org/policy-and-guidance/publications/p/preparing-and-maintaining-a-funding-strategy-statement-in-the-lgps-2016-edition>

1.17 For open funds, solvency is dependent on employers being able to pay contributions as required, knowing that these contributions may increase or decrease significantly in future. Considering the LGPS as a whole, our long term expectation is that contributions will fall below their current levels as remaining deficits are paid off. However there is a significant chance that contributions remain at their current levels or even increase further in the long term, and in the short term there is always the risk that contributions need to increase or decrease following actuarial valuations.

1.18 At a fund level, we have expressed our stress tests in terms of the relative effects of an adverse stress to asset values on core spending power for English local authorities, and financing data for Welsh local authorities. We find that if asset values were to fall by 15%, then there is a range of impacts on different funds and, on the basis of our assumptions,³ funds could face increases in contribution over 3% of their core spending. Funds should be aware of this risk, and consider if any action should be taken to manage it. For the avoidance of doubt, we do not consider that this risk implies that the aims of section 13 are not achieved.

1.19 West Midlands Integrated Transport Authority Pension Fund (WMITA) retains the specific risk arising from the majority of the fund liabilities being backed by a single private sector employer and being closed to new entrants. The administering authority and the employers have made substantial efforts by paying significant contributions to mitigate this risk. However, without a plan in place to ensure that the WMITA fund continues to meet benefits due in an environment of no future employer contributions being available, we do not think that any (realistic) employer contribution rate would be sufficient to achieve the solvency

aim of section 13. We recommend that the administering authority put such a plan in place.

Recommendation 4: We recommend that the administering authority put a plan in place to ensure that the benefits of members in the West Midlands Integrated Transport Authority Pension Fund can continue to be paid in the event that employers' contributions, including any exit payments made, are insufficient to meet those liabilities.

Long term cost efficiency

1.20 As set out in CIPFA's Funding Strategy Statement Guidance, we consider that the rate of employer contributions has been set at an appropriate level to ensure long term cost efficiency if it is sufficient to make provision for the cost of current benefit accrual, with an appropriate adjustment to that rate for any surplus or deficit in the fund.

1.21 A number of funds highlighted in the Dry Run have made progress, with their employers increasing contributions following the 2016 valuation.

1.22 CIPFA's Funding Strategy Statement Guidance states "Administering authorities should avoid continually extending deficit recovery periods at each and subsequent actuarial valuations. Over time and given stable market conditions, administering authorities should aim to reduce deficit recovery periods." In the dry run, we established the deficit reconciliation measure so that funds could confirm that the deficit recovery plan can be demonstrated to be a continuation of the previous plan, after allowing for actual fund experience.

³ Core spending power is a measure of financial resource of the underlying (tax raising) employers. Details are provided in Appendix C.

- 1.23 We consider that reconciliation of the deficit recovery plan is an important component of section 13 for all funds.
- 1.24 Through this exercise, we have identified and engaged with a number of funds that have extended their deficit recovery end points. We have not concluded that this implies the aims of section 13 are not achieved, however we do recommend that all funds review their funding strategy and consider whether this is in accordance with the CIPFA guidance referred to above.

Recommendation 5: We recommend that all funds review their funding strategy to ensure that the handling of surplus or deficit is consistent with CIPFA guidance and that the deficit recovery plan can be demonstrated to be a continuation of the previous plan, after allowing for actual fund experience.

- 1.25 We would not normally expect to see employer contribution rates decreasing (reducing the burden on current taxpayers) at the same time as the deficit recovery end point being extended further into the future (increasing the burden on future taxpayers).

WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD
11 October 2018

Annual Benefit Statement 2018 Update

Purpose of the Report

1. This report outlines a brief summary of the outcome of this year's Annual Benefit Statement for the Board to note.

Background

2. Wiltshire Pension Fund (WPF) is required to issue annual statements to actively contributing and deferred members each year which include an outline of their benefits accrued and projections. Regulations state the statements should be received by the 31 August.
3. Each year the benefit values for deferred members are reviewed and updated in line with CPI indexation for the 12 month period ending 30 September prior to the ABS date of 31 March.

Considerations for the Board

4. WPF requests the required data from all its employers in a standard format, as at 31 March, and by a set date; this year 7 May. The majority of employers submitted their return by the deadline set.
5. The quality of data received from employers was highly varied and a number of key issues were present, namely assumed pensionable pay and the calculation for the full time equivalent pay figures. Where data issues were identified, the Fund either challenged individual data items as required or asked for re-submissions to be made to address general issues identified. Employer response times to the Fund's queries varied from the same day responses to several weeks and sometimes multiple stages were required to resolve certain data queries.
6. Active and deferred member statements were issued at the same time. Where members had multiple records, the Fund's printers arranged for each members' documents to be despatched in the single envelope (deferred and active statements).
7. Statements were despatched on the 14 August 2018. The despatch included circa 28,900 out of 29,400 deferred records (98.3%), with the majority of the records which were not despatched being due to Fund not holding the correct postal address. Active benefit statements sent amounted to circa 18,820 out of 20,050 records (93.9%), with the remaining records were either not sent due to outstanding queries with the records or because the member was past normal retirement date or within one year of it. A further 910 statements were issued to the printers in September however due to technical issues with the set up were not despatched until 1 October.

8. The remaining queries are being investigated and updated and statements will be issued if requested.
9. The Fund is now stepping up the frequencies of its data reconciliations between itself and employers in an attempt to reduce the amount of data queries present at the end of year and increase the percentage of annual benefit statements sent as well as to realise the benefits of holding cleaner data.

Environmental Impact of the Proposal

10. There is no environmental impact from this report

Financial Considerations

11. There are no secondary financial impacts resulting from this report.

Risk Assessment

12. There are no legal implications arising from this report

Legal Implications

13. There are no legal implications in relation to this report.

Safeguarding Considerations/Public Health Implications/Equalities Impact

14. There are no known implications at this time.

Proposals

15. The Board is asked to note the outcome of the annual benefit statement exercise for 2018.

Andy Cunningham
Head of Pensions, Administration & Relations

Report Author: Mark Anderson, Data & Systems Manager

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

APPENDIX 1

Organisation	Subject	Link	Status	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	No change since the last meeting	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, to consider making it harder for fraudsters to open dubious pension schemes and to limit the statutory right to transfer to some occupational pension schemes.	
	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	No change since the last meeting	Following the Government's consultation on how to address the implications of State Pension reforms for Guaranteed Minimum Pensions (GMP) of public servants below State Pension age, on 22 January 2018 the Government decided to extent the temporary arrangements which initially came into force for the period 2016 to 2018. The temporary arrangements effectively mean that for pensioners who reach state pension age between 6 April 2016 and 5 April 2021, any GMP element of the member's pensions receive the same pension increase amounts as the non-GMP element of a member's pension. The Government has extended the temporary arrangement as it has still not decided what to do in the long-term in this area.	
	Reforms to public sector exit payments: response to the consultation	https://www.gov.uk/government/consultations/further-consultation-on-limiting-public-sector-exit-payments	Updated	The Bill was presented to Parliament on Tuesday 5 September 2017 and there was no debate and it is now scheduled to have its second reading on 26 October 2018 (note the second reading has already been delayed a number of times). It is a Private Member's Bill, which are often not printed until close to the second reading debate and hence no text is still available.	
	Quadrennial valuations & Cost Caps		New	In a Written Ministerial Statement on the 6th September 2018, the Chief Secretary to the Treasury, Elizabeth Truss, announced details of the quadrennial (notional) valuation of the public service pension schemes, including the Local Government Pension Scheme in England and Wales. A transcript of the announcement can be found here . In the LGPS, there is a two-stage process in place which could mean that as a result of the quadrennial valuation, the Scheme design changes.	

Organisation	Subject	Link	Status	Comments	Risk
				It is also recommended that the cost cap valuation cycle (not the normal scheme valuation) should be moved from a triennial to quadrennial cycle. This is not likely to have any impact on the normal valuation cycle.	
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	No change since the last meeting	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	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	No change since the last meeting	<p>Following the High Court ruling on 23rd June 2017 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 Department of Work and Pensions (DWP)	Pension dashboard project	https://pensionsdashboardproject.uk/industry/about-the-pensions-dashboard-project/	Updated	<p>The purpose of the Pension Dashboards project is to enable members of the public to view details of all their pensions together (all private, public and state pensions).</p> <p>DWP is leading this project and the intention was to 'go live' during 2019. However, the Financial Times reported at the end of August 2018 that DWP were considering abandoning the project. The DWP has said it would publish its feasibility report "in due course".</p>	

Organisation	Subject	Link	Status	Comments	Risk
Government Actuaries Department (GAD)	Section 13 of the Public Services Act 2013 requires GAD to review the funding valuations and employer contribution rates across the LGPS	https://www.gov.uk/government/publications/local-government-pension-scheme-review-of-the-actuarial-valuations-of-funds-as-at-31-march-2016	Updated	GAD has now released its report (on 27 September 2018) in relation to the 2016 Triennial Valuation (see link). GAD makes five recommendations, and three of these recommend that the SAB makes a recommendation to MHCLG to apply certain technical changes to the next triennial valuation (2019). Wiltshire Pension Fund was marked as 'green' on GAD's risk scales.	
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	Completed	In early July 2017, the FCA published their final policy statement on the implementation of the EU's Markets in Financial Instruments Directive II (MIFID2) from January 2018. On coming into force, MIFID2 re-designated 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. Further information on the implications of MIFID2 on LGPS administering authorities can be found on the Scheme Advisory Website. Wiltshire Pension Fund has opted up to professional status. All investment managers and Brunel Pension Partnership have been notified.	
Scheme Advisory Board (SAB)	Academies' review	http://www.lgpsboard.org/index.php/structure-reform/review-of-academies	No change since the last meeting	SAB commission PwC to produce a report on "Options for Academies in the LGPS" commissioned and the report was 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. The proposals were wide ranging from minor alterations to academies being grouped together in a single LGPS Fund. SAB's work is still on-going and Bob Holloway from the LGA previously stated that a wide range of options in both work streams are still be considered. For example, changing the administration arrangements or putting academies into their own Fund etc. However, a consultation will be released on any changes proposed before they are put into force.	

Organisation	Subject	Link	Status	Comments	Risk
	Investment fees - Code of Transparency	http://www.lgpsboard.org/index.php/structure-reform/cost-transparency	No change since the last meeting	<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>	
	Tier 3 employers review	http://www.lgpsboard.org/index.php/board-publications/invitation-to-bid	Updated	<p>Covers those Fund employers with no tax raising powers or guarantee (excludes academies).</p> <p>SAB is keen to identify the issues and risks related to these employers' participation in the LGPS and to see if any improvements/changes can be made. 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.</p> <p>Aon Hewitt has recently produced a detailed report which is available on the SAB website which outlines its finding on the identification of issues but the report doesn't make any specific recommendations. SAB is yet to advise what actions it will take following receipt of the report.</p>	
	Separation Project	http://www.lgpsboard.org/images/PDF/BoardFeb18/PaperBItem50218.pdf	Updated since the last meeting	<p>The objective of the Separation Project is to identify both the issues deriving from the current scheme administrative arrangements and the potential benefits of further increasing the level of separation between host authority and the scheme manager role.</p> <p>KPMG produced a report in 2015 which outlined options ranging from removing the potential conflicts of interest for the S151 role to complete separation (i.e. each Fund would become a standalone company).</p> <p>On 21 August 2018, the SAB restarted the project and put out a 'proposal for assistance' from an appropriate bidder to take the project forward. The deadline for bid submissions has since closed but the</p> <p>The Head of Pensions Administration and Relations attended a conference on 19 September 2018 (hosted by Hymans-Robertson) which further discussed the project. Attendees generally favoured some greater degree of separation although most Funds' represented felt that</p>	

Organisation	Subject	Link	Status	Comments	Risk
				conflict of interests amongst officers and committee/board members were sufficiently well managed.	
	Guidance Project	http://www.lgpsboard.org/images/PDF/BoardFeb18/PaperBItem50218.pdf	No Change	<p>The Guidance project will identify regulations which may be better sited within statutory guidance and to both propose the necessary amendments and assist HMCLG with the drafting of guidance.</p> <p>This project is at an early stage and no further information is available at this time.</p>	
	Data Project	http://www.lgpsboard.org/images/PDF/BoardFeb18/PaperBItem50218.pdf	No Change	<p>The SAB describes this project as: The Data project will aim to assist administering authorities in meeting the Pension Regulators requirements for monitoring and improving data and include the identification of scheme specific conditional data and the production of guidance for authorities and employers.</p> <p>No further information is currently available from the SAB. However, the SAB did consult on a common set of data points for the part of the project relating to scheme specific conditional data over the last couple of months before deciding to postpone implementation until 2019, in time for the 2019 tPR Scheme Return.</p>	

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WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD
11 October 2018

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).

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 Board and 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 has been no changes to the risk categories or levels since the last meeting
5. One remaining red risk remains: ***PEN020: Pooling of LGPS assets.***
6. Work continues to mitigate where possible the risks above along with the other remaining medium risks highlighted on the risk register.

Financial Implications

7. No, direct implications.

Legal Implications

8. There are no known implications from the proposals.

Environmental Impacts of the Proposals

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

10. There are no known implications at this time.

Proposals

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

ANDY CUNNINGHAM
Head of Pensions Administration and Relations

Report Author: Andy Cunningham, Head of Pensions Administration and Relations

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			
							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.	Andy Cunningham	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. When work loads are high, payments to members are prioritised above other work.	2	2	4	Low	None	N/A	N/A	2	2	4	Low
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	Andy Cunningham	Business Continuity Plan reviewed in Dec 2016 and in place. Another review is planned for early October 2018. 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 mostly paperless office.	4	1	4	Low	None	N/A	N/A	4	1	4	Low
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	Andy Cunningham	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	N/A	N/A	4	1	4	Low
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.	Andy Cunningham	The Fund has done an Equality Risk Assessment and has an Equality Implementation Plan in place	2	1	2	Low	None	N/A	N/A	2	1	2	Low
PEN021	Ability to Implement the Public Sector Exit Cap	Benefits Administration	Introduction of exit cap will require an additional burden on the administration team as is likely to effect all redundancy calculations.	Changes need to be communicated to individuals and employers and systems adapted once the revised regulations have been approved	Andy Cunningham	Currently monitoring the progress of the developments to allow adequate time to take any actions necessary. We are not anticipating any changes to occur quickly and, depending on the final outcomes, WPF will set up a project cover: discussions with employers and changes to employer discretions policies, benefit and systems calculations and the associate communications.	2	2	4	Low	None	Andy Cunningham	N/A	1	3	3	Low
PEN022	Risks related to reconciliation of GMP records (increase in staff resource & reputational)	Benefits Administration	From 1 April 2016, State Second Pension ceases and HMRC no longer provides GMP data on members to Funds.	If GMP records for members are inaccurate there is the potential for incorrect liabilities being paid by the Fund.	Andy Cunningham	Large project is still ongoing and software from Heywood's is being used to process amendments to Altair on bulk. Progress has been delayed due to resources being: *Focussed on other, more urgent areas; *The time HMRC takes to respond to queries; and *By Funds trying to engage with Government to agree on a nation wide approach.	2	4	8	Medium	Working with other south-west Funds to try to agree on a common approach and present it to Government Departments. Implementation of a overpayments policy.	Richard Bullen	Dec-18	1	3	3	Low

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			
							Impact	Likelihood	x	Level of risk				Impact	Likelihood	x	Level of risk
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.	Nick Weaver	Funding Strategy Statement, Investment Strategy, Triennial Valuations, membership of Club Vita, modelling of future cash flows.	2	2	4	Low	This is factored into the Strategic Asset Allocation review, which will commence in October 2017, when the new Investment & Accounting Manager is in place. Both the Fund Investment Consultant and Fund Actuary will be closely involved in the work.	Nick Weaver	May-19	4	1	4	Low
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.	Andy Cunningham	Longevity and bond yields are generally beyond the control of the Fund although the Investment Sub-committee is currently considering certain risk management techniques such as Liability Driven Investments. Furthermore, the Fund and each employer must have a Discretions Policy in place to help control discretionary costs (e.g. early retirements, augmented service, etc).	2	1	2	Low	None	Andy Cunningham	N/A	2	2	4	Low
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.	Andy Cunningham	As above	2	2	4	Low	As above	Andy Cunningham	N/A	2	2	4	Low
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	Nick Weaver	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 employers. In February 2018 Mercer recommended the Fund go to market for a single provider to manage all aspects of risk management. Further training, open to all Committee and Board members, will take place in the next couple of months, to allow a recommendation to be brought to the June meeting.	Nick Weaver	N/A	2	1	2	Low

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			
							Impact	Likelihood	x	Level of risk				Impact	Likelihood	x	Level of risk
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	Nick Weaver	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. It will be continuously reviewed, as part of the updating of the Investment Strategy Statement.	Nick Weaver	N/A	2	2	4	Low
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	Andy Cunningham	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. A new, revised cessation policy is being presented to Committee on 20 September 2018 to address: *Regulatory changes which came into force in May 2018 and; *Certain scenarios which have arisen which the existing policy did not cover adequately.	2	2	4	Low	*The Employer Relationship Manager is putting in place an early warning system for cessations to try to address likely financial and risk issues before they occur. *The Fund will need to review its Funding Strategy Statement before the next triennial valuation to help ensure that the cessation policy is consistent with the FSS.	Andy Cunningham	Dec-18	2	1	2	Low
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	Nick Weaver	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.	Roz Vernon	N/A	3	1	3	Low
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.	Nick Weaver	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	The markets and weightings are closely monitored as part of the "fightpath" and "rebalancing" processes. A single provider to manage all aspects of risk management, is also under consideration.	Nick Weaver	On-going	3	1	3	Low
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.	Nick Weaver	Wiltshire Fund Fund is now being treated as a Professional Client, having followed due process.	2	2	4	Low	None.	Nick Weaver	Completed	3	1	3	Low

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			
							Impact	Likelihood	x	Level of risk				Impact	Likelihood	x	Level of risk
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.	Nick Weaver	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	2	4	Low	Implemented. Reconciled to the bank account every month and monitored in dedicated monthly meeting, by management. From 1 April 18 will be regularly reported to the Committee. Will also be included in the 18/19 statutory accounts.	Roz Vernon	Nov-18	2	2	4	Low
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	Andy Cunningham	*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. *KPIs against statutory standards *Imbedding checks and controls into all processes.	2	2	4	Low	The Funds has undertaken a self-assessment against tPR Code of Practice no 14 to identify a gaps in compliance and is currently closing off the gaps identified.	Andy Cunningham	On-going	2	2	4	Low
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.	Andy Cunningham	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. The Fund has produced a new suite of procedures and controls following the introduction of GDPR.	3	3	9	Medium	Further reviews and changes in relation to the GDPR.	Andy Cunningham	On-going	2	1	2	Low
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.	Andy Cunningham	Data & 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.	3	2	6	Medium	The Fund is currently addressing new data issues identified by a review of the tPR two key data standards. The Fund needs to continue to tackle the issues identified and to put in place a formal data improvement strategy.	Mark Anderson	Dec-18	2	1	2	Low
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.	Andy Cunningham	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 Governance & Performance Manager has formulated annual Training Plans and Relevant officers are also reviewed against the CIPFA Knowledge & Skills Framework to ensure adequate expertise exists.	3	3	9	Medium	A new, permanent Investment Manager is due to start on 24 September 2018. The Council is re-advertising for the Finance Director vacancy that currently exists and which is presently filled on an interim basis.	Andy Cunningham	Feb-19	2	1	2	Low

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				
							Impact	Likelihood	x				Level of risk	Impact	Likelihood	x	Level of risk
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 large knowledge gap could be left behind.	Andy Cunningham	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. In August 2018, the Pension Fund officers (Admin & Relations) undertook a Key Person Dependencies exercise to identify areas where knowledge needed to be shared more widely. Officers are currently sharing the identified areas to reduce the risk of knowledge being lost.	3	3	9	Medium	Recruitment to the Director of Finance post and further imbedding of the new restructure.	Ian Duncan	01/01//2019	2	1	2	Low
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 Funds to 'Comply or Explain' within their Annual Report on the skills knowledge of members of the Committee	Andy Cunningham	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 advice can be called on from our consultants, independent advisors and investment managers too.	2	3	6	Medium	The Governance & Performance Manager is now rolling out a new self-assessment exercise to identify gaps in Committee knowledge and will discuss this further at the 20 September 2018 Committee.	Richard Bullen		2	1	2	Low
PEN019	Maintenance of Local Pension Board & Investment Sub-Committee	Regulatory & Governance	Failure of Wiltshire Council to maintain a Local Pension Board, from finding suitable representatives and the officer time required to support the Board and 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.	Andy Cunningham	Mechanisms are in place to recruit to vacancies as they arise.	2	2	4	Low	None. 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 Reports has shown how its been effective.	Andy Cunningham	N/A	1	3	3	Low
PEN020	Pooling of LGPS assets	Regulatory & Governance	The Fund needs to pool its LGPS assets with other Funds using the Brunel Pensions Partnership.	Poor implementation could be costly in terms of additional fees and poor investment returns.	Nick Weaver	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.	Nick Weaver	Ongoing	1	3	3	Low

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			
							Impact	Likelihood	x	Level of risk				Impact	Likelihood	x	Level of risk
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.	Andy Cunningham	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 is still being monitored through work planning and appraisals.	3	3	9	Medium	Further imbedding of the restructure is necessary and service improvements need to be made to allow senior officers to spend more time on meeting the recommendations of the Board and the requests of the Committee.	Andy Cunningham	N/A	1	2	2	Low
PEN025	Academisation of Schools, the possibility of MAT breakups and cross fund movements.	Regulatory & Governance	Potential for further schools to convert to academy status, MATs to breakdown	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.	Andy Cunningham	Regular communications with schools to understand their intentions. Revised cessation policy aims to address some of the risks relating to MAT breakups.	2	3	6	Medium	The Fund is monitoring the SAB review of academies roles in the LGPS and will take actions (e.g. respond to consultations) as necessary to try to mitigate this risk further.	Andy Cunningham	N/A	1	1	1	Low
PEN027	Significant structural change to LGPS Funds or to our Fund	Regulatory & Governance	A merger, takeover from another Fund or of another Fund. Significant changes to how certain employer categories participate in the Fund - for example Tier 3 employers or academies.	Depending on its nature and scale: a major impact on employer numbers, governance, control and operational matters.	Andy Cunningham / Nick Weaver	To keep abreast of any national development and respond to consultations when they occur. To take appropriate opportunities to increase the membership and the numbers of employer of the Fund. For example, where a multi academy Trust wishes to consolidate its cross-Fund operations within a single Fund.	4	2	8	Medium	None	Andy Cunningham / Nick Weaver	N/A	3	1	3	Low
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.	Andy Cunningham	The Fund has a Communications Manager and Employer Relationship Manager posts 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	None	Denise Robinson/Ashleigh Salter	N/A	1	1	1	Low

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WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD
11 OCTOBER 2018

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 attached to this report.
5. As discussed at previous meetings, Officers will continue to expand its range of reportable KPIs and, accordingly, The Pension Regulator (tPR) KPIs are now shown in Appendix 2 and will be reported semi-annually to the Committee as part of this item. tPR related KPIs are becoming increasingly important as they will now form part of the Scheme Annual Return (next due in October 2018).

Considerations for the Board

Benefits Administration KPIs

6. The following KPIs are reported on and shown on the attached Appendix 1 for 2018-19 Quarter 1 along with a trend analysis for the previous 3 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.

7. 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.
8. Separately the Fund is currently developing its reporting capability to provide splits between employer and Fund performance and also to provide comparisons against statutory disclosure timelines and the Fund's administration strategy.

tPR KPIs

9. tPR defines data as either Common Data, data that it would expect all schemes to hold, and Conditional/Scheme Specific data, data that is relevant and important to that particular Scheme.
10. The Fund has calculated Common and Conditional/Scheme Specific percentages in line with the tPR guidance document '*A quick guide to measuring your data*'. However, the Scheme Specific measurement methodology is still subject to completion of consultation exercise by the Scheme Advisory Board (SAB) and hence the methodology used in this report may need to change. Furthermore, there is a lack of clarity in how tPR expects each percentage should be calculated which we lead to difficulties in making any like with like comparisons across Funds. We have highlighted these issues to SAB.
11. Officers will update the Common data percentage quarterly although it will not review the Conditional data percentage although the SAB has provided clarification on the methodology

Conclusions

Benefits Administration KPIs

12. The general trend for Qtr 1 2018/19 is a downward one with the total number of completed cases falling from 1854 (in Qtr 4 17/18) to 1356. Although the quarter saw an increase in **benefit estimates** completed to a new high of 252 cases. The biggest falls over the quarter were **deferred** and **refund cases**, deferreds down 40% from 735 in Qtr 4 17/18 to 434 cases while refunds dropped 54% from 363 to 165 cases over the same period. (see Chart 1).
13. The **Active to retirement** metric has seen a fall this quarter in meeting the target timeframe although Qtr 3 saw a slight recovery which continued into Qtr 4 (see chart 1). The number of active retirement cases completed was at its lowest level over the four quarters (see chart 2).
14. **Deferred to retirement** and **death cases** both saw slight drops against target. Although deferred into retirement case volume was at it's highest level over the four quarters.
15. During the period, the Fund was carrying a number of vacancies in key operational positions and also had other some other officers on mid-term sick leave. Although operational levels vacancies have now been filled, a mixture of internal promotions and external appointments, levels of productivity will be lower than normal until the team develop into their roles over the next few months. One mid to long-term sick leave situation remains. However, no staff has left the service in 2018 and it is hoped that by promoting staff internal has and will have the benefit of increasing staff retention rates, and productivity rates will improve accordingly.

16. Furthermore, in recognition of the difficulties faced, the Fund has recently starting rolling out an overtime plan which is targeting the **Deferred to retirement** area of work and also another area which is not directly shown within these KPIs (aggregation) but which indirectly affects the other KPIs. The Fund is able to use the financial savings created by carrying vacancies to finance this plan and is looking to expand it further if it proves effective.
17. Furthermore, the Fund is currently in the process of procuring a key piece of automation software (I-Connect) and is starting to use another piece of automation software (process automation) to make other improvements. Other plans are in place to undertake a more detailed process review to identify further efficiencies although this is not likely to start until 2019.
18. Officers expect to start seeing some of the benefits on KPIs towards the end of 2018 with further improvement occurring in 2019.

tPR KPIs

19. As at 31 March 2018, Wiltshire Pension Fund had an approximate Common data measurement of 95% and a Conditional/Scheme Specific data measurement of 88%. At the 1 October 2018, the Common Data percentage had fallen to 93%. The target for both measurements is 100%.
20. The main reasons for the failures and high level summary of planned actions is outlined in Appendix 2. Revised percentages will be calculated for the purpose of the Scheme Return. The Common Data percentage has mainly fallen due to greater identification of data inaccuracies, in particular as a result of the annual benefit statement whereby it became apparent that a number of members had moved address and not informed us and some employers had sent us leaver notifications.
21. The Fund will be implementing a data improvement plan to address these deficiencies and will continue to work with stakeholders to improve data quality and liaise with other Funds and Regulators to agree on the appropriate methodology.

Environmental Impact

22. There is no environmental impact from this report.

Financial Considerations

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

Risk Assessment

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

Legal Implications

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

26. There are no implications at this time.

Proposals

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

ANDY CUNNINGHAM
Head of Pensions Administration and Relations

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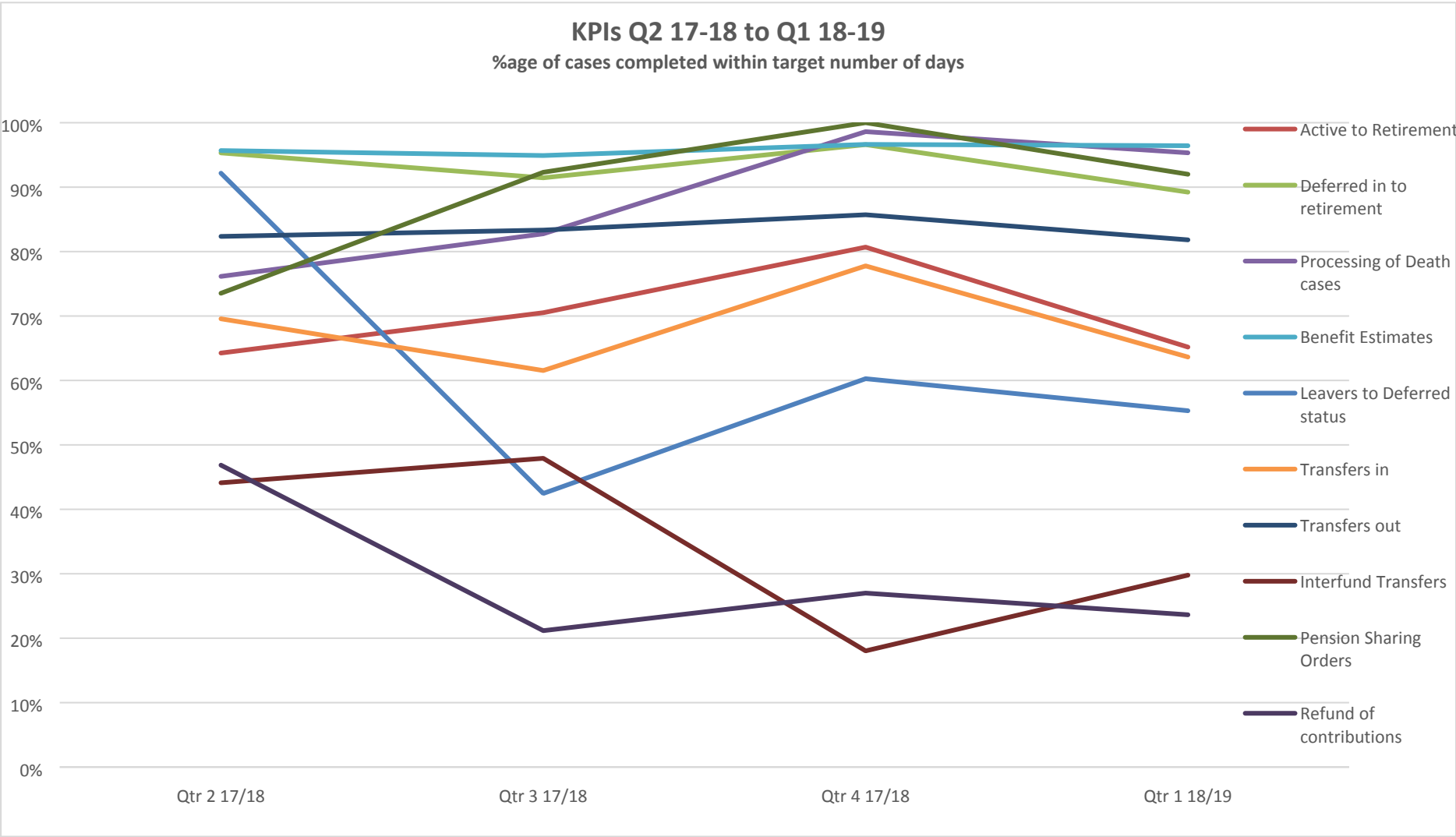
APPENDIX 1 (Table 1)

Wiltshire Pension Fund

Benefit Administration Key Performance Indicators

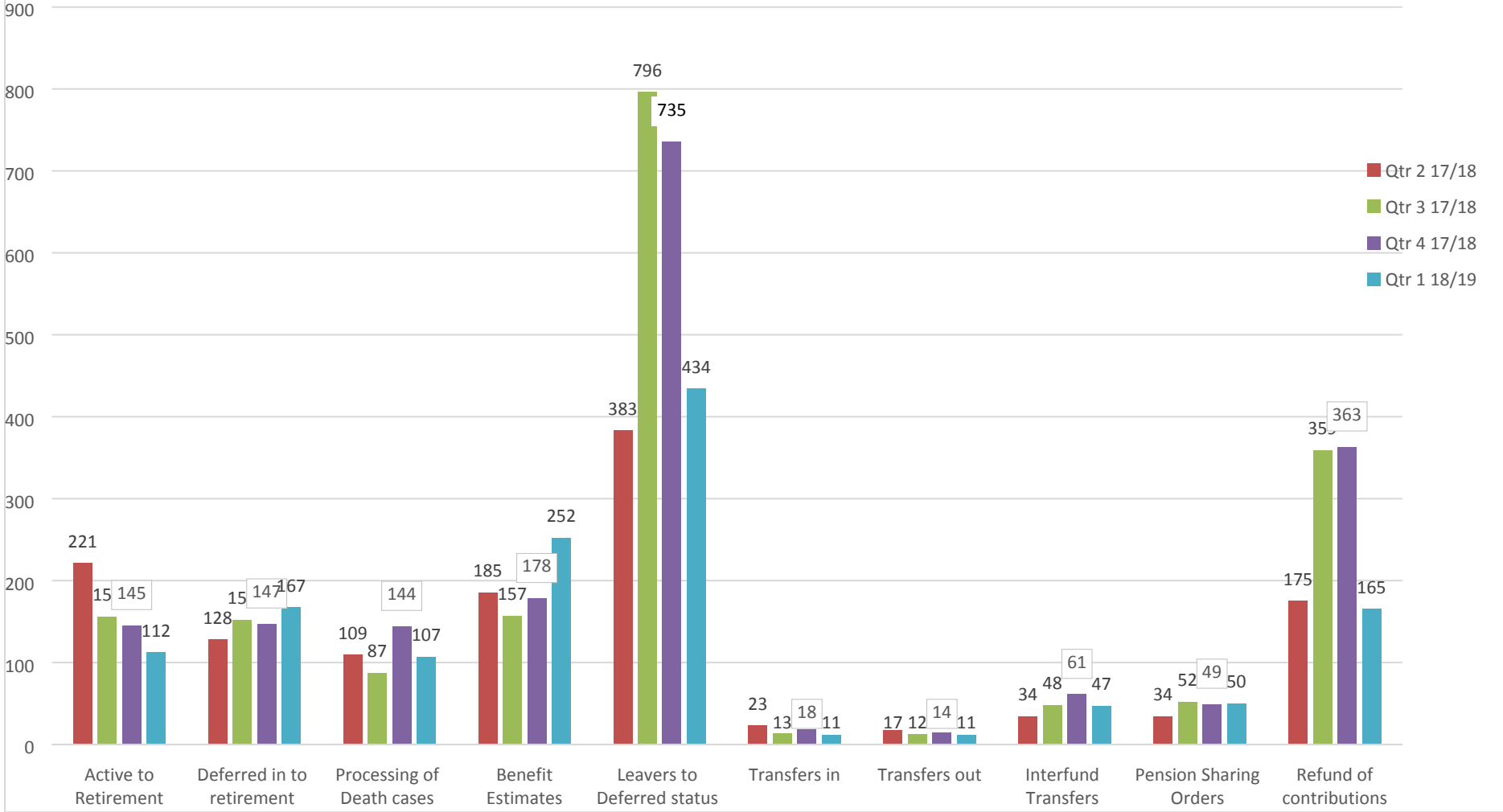
Period **01/04/2018** to **30/06/2018**

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	12	31	12	18	19	20	112	65%	20
Deferred in to retirement	66	39	34	10	10	8	167	89%	20
Processing of Death cases	80	18	3	1	5	0	107	95%	20
Benefit Estimates	85	71	31	30	26	9	252	96%	40
Leavers to Deferred status	55	28	24	44	89	194	434	55%	40
Transfers in	0	1	1	0	5	4	11	64%	40
Transfers out	7	2	0	0	0	2	11	82%	30
Interfund Transfers	7	2	2	2	1	33	47	30%	40
Pension Sharing Orders	32	9	2	0	3	4	50	92%	30
Refund of contributions	22	9	6	2	19	107	165	24%	20
Grand Total	366	210	115	107	177	381	1356		
Percentage	27%	15%	8%	8%	13%	28%			



APPENDIX 1 (Chart 2)

KPI Totals Qtr 2 17/18 to Qtr 1 18/19
Number of cases completed during period



APPENDIX 2: tPR measurements

Wiltshire Pension Fund

The Pension Regulator: Common and Conditional/Scheme Specific data measurement as at 31 March 2018:

Measurement	Percentage	Date calculated	Key reasons for shortfall ³ (Percentage failure rate)	Planned actions ⁴
Common¹	93% (31 March = 95%)	1 October 2018	*Incorrect membership status (4.3%) *Addresses (2.9%)	*Incorrect membership status failures are mainly due to a backlog in deferring member processing. Additional staff are being recruited to tackle this issue and overtime has been offered to staff. *Address data quality issues are an on-going issue as a result of deferred and pensioner members not telling us when they move house. We use tracing agents to help identify these members but addresses are likely to be an on-going issue.
Conditional/Scheme Specific^{1,2}	88% (Fund methodology)	31 March 2018	*Post 88 GMP (6.4%) *Transfer details (5.7%) *CARE data (3.8%) *Pre 88 GMP (1.4%) *FTE salary (1.3%) (Note: Many of the failures are interrelated and more than one may exist on a single record and hence the above errors add up to more than 12%)	*GMP data quality will improve once the GMP reconciliation work is completed and bulk updated to records. *CARE & FTE data issues are largely a timing issue but will be addressed as part of end of year.

Notes:

1). Both measurements have been calculated based on Officers interpretation of current tPR guidance, as outlined in the document “*A quick guide to measuring your data*”. As the guidance is brief, a number of areas are open to interpretation.

2). The exact list of scheme specific data items is a matter to be agreed by each Scheme. Due to the multi-Fund nature of the LGPS, the Scheme Advisory Board, in consultation with Funds and the LGA, is seeking to come to an agreement on the list of required data items. At the time of writing, no agreement has

been reached and thus the above percentage has been calculated based on a prudent assumption of which data items should be included and what methodology to apply.

3). Some of the failures established are 'technical' failures in that they relate to the inconsistent way data is held on Altair. Some of the reasons for these inconsistencies are historical in nature due to the way records were migrated across from legacy systems. There are significant complications in calculating these percentages and to establish the difference between technical failures, which could potentially be excluded, and real data failures.

4). The guidance is also not clear on how to take account of timing issues. For example, inevitably there is a time lag in processing between a deferred benefit and the date a member left. During this lag, the member is arguably not held on the correct membership status however, it is unclear on whether or not this should be classed as a failure and if some level of lag is acceptable, how long. Similar scenarios apply concerning updating pay figures.

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LOCAL PENSION BOARD - WORK PLAN

Meeting:	20-Oct-16	25-Jan-17	06-Apr-17	13-Jul-17	18-Oct-17	15-Mar-18	12-Jul-18	11-Oct-18	24-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	Brunel Pension Partnership update		Data protection and quality standards	Complaints and dispute handling	Fraud prevention and mitigation	Annual Reporting requirements	TBC	Delegations - Council, PC, ISC officers,	Internal and external SLAs
Code of Conduct & Conflicts of Interest Policy	✓					✓			
Forward Work Plan and Dynamic Reviews	✓	✓	✓	✓	✓	✓	✓	✓	✓
Review - how did the Board do?	✓	✓	✓	✓	✓	✓	✓	✓	✓

Meeting:	20-Oct-16	12-Jan-17	06-Apr-17	13-Jul-17	18-Oct-17	15-Mar-18	12-Jul-18	11-Oct-18	24-Jan-19
Fund Governance									
Scheme Legal, Regulatory & Fund update	✓	✓	✓	✓	✓	✓	✓	✓	✓
Review of Risk Register	✓	✓	✓	✓	✓	✓	✓	✓	✓
Fund update & comments on minutes of PC & ISC and BPP/BOB	✓	✓	✓	✓	✓	✓	✓	✓	✓
Review Governance Compliance Statement									
Review Fund Training Programme		✓			✓				✓
Review all Fund Declarations of Interest									✓
tPR Code of Practice 14/record keeping compliance survey results				✓			✓		
Results of national LGPS surveys			✓					✓	
Review external advisor appointments process/controls and internal SLAs								✓	
Review Triennial Valuation Process	✓								✓
Review Triennial Valuation Results		✓							
Review fund delegations and internal controls								✓	
Review CIPFA Admin, WM investment and other Fund benchmarking results		✓							✓
Meeting:	20-Oct-16	12-Jan-17	06-Apr-17	13-Jul-17	18-Oct-17	15-Mar-18	12-Jul-18	11-Oct-18	24-Jan-19
Fund Plans, Policies & Strategies									
Review Fund Annual Business Plan		✓				✓			✓
Review Admin Strategy & Charge Out Rates									✓
Review Admin Authority Discretions/review process									✓
Review Funding Strategy Statement	✓								✓
Review GAD triennial S13 results								✓	
Review Statement of compliance with FRC stewardship code									
Review statutory Investment Strategy Statement updates		✓							✓

Meeting:	20-Oct-16	12-Jan-17	06-Apr-17	13-Jul-17	18-Oct-17	15-Mar-18	12-Jul-18	11-Oct-18	24-Jan-19
Administration									
Review employers admin KPIs and compliance						✓	✓	✓	✓
TPR breaches policy/reporting review									✓
Review Fund fraud risk prevention and mitigation measures					✓				✓
Review Fund website contents and resilience				✓					✓
Review of Fund Complaints policy, IDRP procedures & PO cases			✓						✓
Review Fund Communications (employers/members)			✓				✓		
Review of Data Security & Business Recovery									✓
Review GMP reconciliation process/results					✓			✓	
Benchmark Annual Report with other BPP 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:	25	24	22	26	25	22	27	27	

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