

WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD
24TH May 2023

KEY FINANCIAL CONTROLS REPORT

Purpose of the Report

1. The purpose of this report is to highlight the significant issues in relation to the Fund's key financial controls.

Background

2. Officers in the investments and accounting team have been reporting on various key accounting measures for some time and have developed a program of planned improvements to various processes and controls. The purpose of this report is so that the Committee and Local Pension Board can easily review key areas and monitor progress against planned improvements.

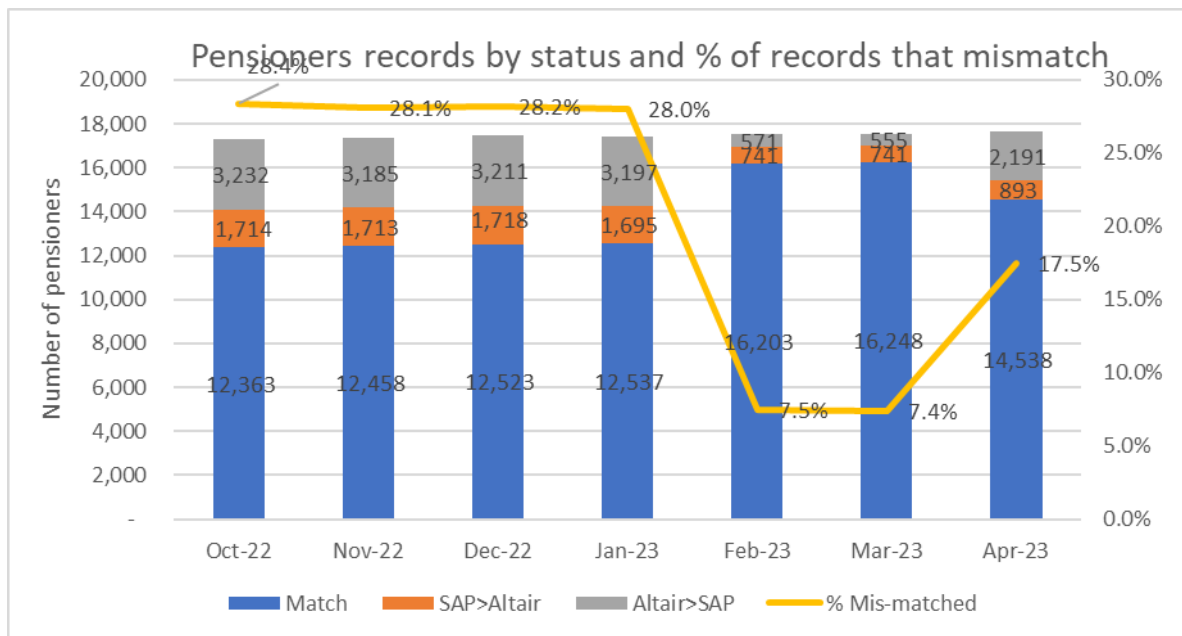
Key Considerations for the Committee / Risk Assessment / Financial Implications

Accounts and Annual Report

3. Final sign off for the full Wiltshire Council Accounts for 2019/20, 2020/21 and 2021/22 continues to be delayed, the Pension fund accounts form a part of the full Council accounts and the delay, which is due to an issue within the Wiltshire Council figures, has meant the pension fund accounts have not received their final audit opinion for inclusion in the annual report. Officers have responded to all requests by the external auditors for information for all years of accounts. To ensure we comply with The Pensions Regulator (TPR) requirement to publish the report, they are available on the website for all years.
4. Work is well progressed with completing the accounts and annual report for 2022/23 to present to the Committee in July 2023.

Payroll reconciliations

5. Work to reconcile and correct discrepancies between the Altair pension admin system and SAP payroll records continues. The reconciliation compares the annual pension payable on each system and quantifies the number of cases and value of discrepancies. The following graph shows the extent of the variances between the two systems. The reconciliation classifies anything >£1 per annum as a variance. There can be multiple reasons for the discrepancies which can range from a fundamental incorrect payment to data mismatch problems. Therefore the gross value of SAP>Altair or SAP<Altair figure represents the extent of the mismatch. Because all of these issues require resolution for the fund to move to a single integrated payroll it is relevant to report all such discrepancies.



- The reconciliation data shows a significant improvement in February, this is as a result of work to bulk correct cases <£5pm different. The overall mismatch by cases reduced to 7.5%. However following the application of the pension increase in April 2023 this has created an increase in the mismatch between the systems to 17.5%. The reconciliation has identified this issue and work is underway to understand the cause and to correct the issue.

Integrated Systems

- Project Evolve is ongoing within Wiltshire Council, this will deliver a replacement to the existing SAP payroll and accounting software. The pension team are members of implementation working groups, officers are working with the payroll and Evolve implementation teams to transfer existing pensioners to the new payroll system.
- Officers have commenced work with Heywoods, who provide the Altair system, to implement integrated payments. This will provide a new process for making all one-off payments to pensioners, e.g. lump sums, without the need to run reports and send separate information to the council accounts payable team. Initial training and testing of the system is underway. Following implementation of the new Evolve payroll a plan will be prepared to transfer pensioners onto the new integrated payroll within Altair. Any new payment system will only go live following extensive review and establishment of clear procedures.

Quarterly Financial Performance Dashboard

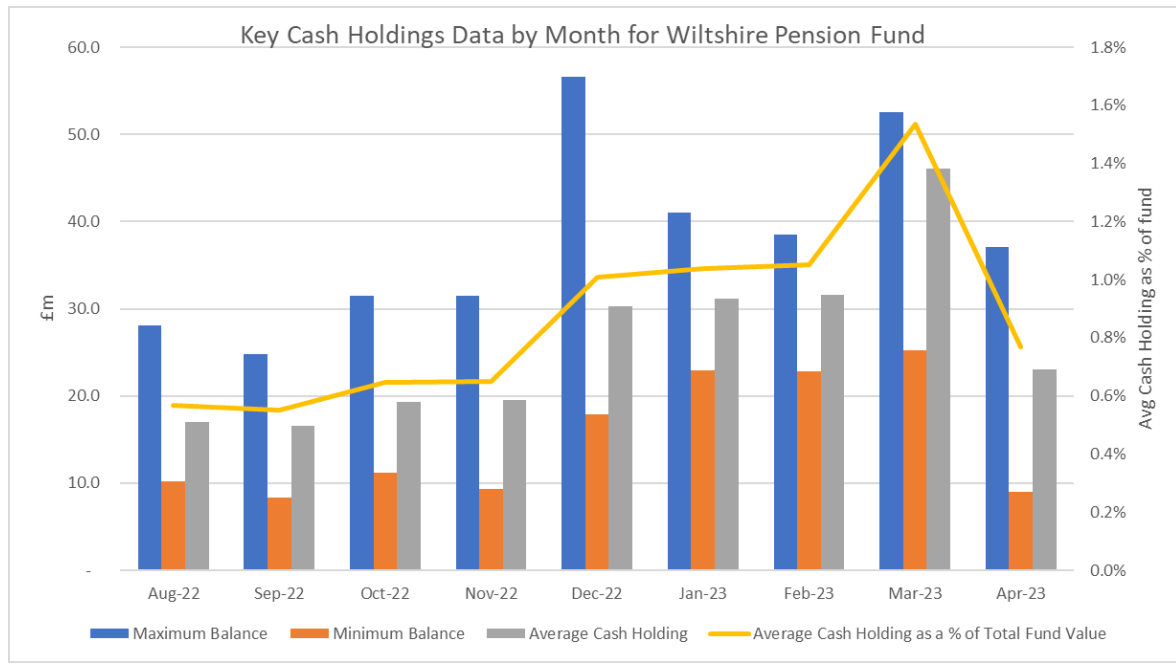
Wiltshire Pension Fund - Key Financial Controls Dashboard				
Control Area	RAG	Items reviewed under this control area	Comments on Performance	Ongoing Actions
	Mar-23			
1. Employer Contributions	Green	Timely and accurate payment of employer contributions each month.	See summary performance table for full details. Almost all employers paying on time and with the correct rate.	Work ongoing to improve reconciliation process to i-connect submissions
2. Payroll	Yellow	Monthly payroll sign off process checking starters and leavers plus reconciliation of Altair to Payroll	New reconciliation process being used to monitor discrepancies between the pension admin system and payroll, reported on within this paper.	Outsourced provider working to resolve discrepancies above £5p/m and many variances under £5p/m resolved in Feb 23.
3. Cashflow, banking and capital calls	Green	Maximum and minimum cash balances, private markets capital calls and distributions and treasury performance.	See summary performance table for full details. All capital calls met on time.	None
4. Balance Sheet Reconciliations	Green	All balance sheet control codes are reviewed for accuracy and outstanding issues.	All control codes have been reviewed and checked, no unexplained balances.	None
5. Altair Checks	Green	Check between the ledger and pension admin system (altair) that any transactions, such as payments or receipts match the admin system.	All reconciliations have been undertaken discrepancies have reduced following active engagement with the Admin team to review old cases.	Administration team working with finance team to resolve discrepancies and reduce final outstanding items
6. Financial Budget Reporting	Green	Review of year to date and forecast operating budget performance, or any unusual monthly movements on the overall fund account.	Expenditure for 22/23 in line with forecast and budget agreed for 23/24	None
No material concerns	Green			
Minor issues outstanding	Yellow			
Major issues outstanding	Red			

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

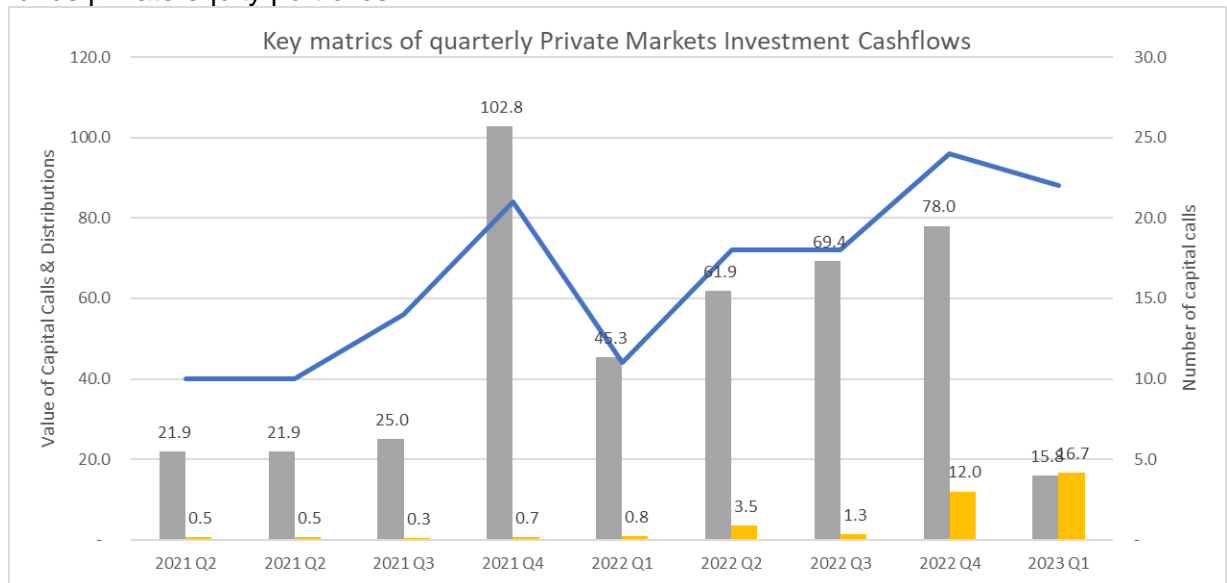
Quarter	Payroll Month	Paid contributions £000's				Average late and overdue contributions total days		Number of employers payments status		
		Total Payment	On Time Payment	Late Payment	Late Payment %	Days Late Recd	Days Overdue	On time	Late	Not Received
Q1	Apr-22	8,099	5,256	2,842	54.1%	19.4	-	161	18	-
Q1	May-22	7,732	4,723	3,003	63.6%	7.9	-	159	20	-
Q1	Jun-22	7,815	7,794	22	0.3%	18.9	-	169	10	-
Q2	Jul-22	7,835	6,993	66	0.9%	5.8	-	171	6	-
Q2	Aug-22	7,519	7,265	254	3.5%	16.1	-	166	10	-
Q2	Sep-22	7,536	7,522	14	0.2%	8.1	-	165	14	-
Q3	Oct-22	7,814	7,004	811	11.6%	8.8	-	170	8	-
Q3	Nov-22	9,207	9,182	25	0.3%	9.5	-	167	12	-
Q3	Dec-22	9,814	9,807	7	0.1%	1.0	-	176	3	-
Q4	Jan-23	7,989	7,273	715	9.8%	9.0	-	166	13	-
Q4	Feb-23	9,130	8,377	754	9.0%	1.4	-	171	8	-
Q4	Mar-23	6,829	6,824	5	0.1%	8.5	-	171	8	-
Total	Q1	23,646	17,773	5,867	33.0%	15.4	-	489	48	-
Total	Q2	22,891	21,780	334	1.5%	10.0	-	502	30	-
Total	Q3	26,834	25,992	842	3.2%	6.4	-	513	23	-
Total	Q4	23,948	22,474	1,474	6.6%	6.3	-	508	29	-

10. The majority of the late payments are received within a day or two of the deadline and all employers who have not paid are contacted immediately after the deadline day to remind them to pay. Persistently late payments or employers where we have problems are escalated to the employer relationship manager for resolution.

12. The new Salami portfolio has allowed the fund to reduce the amount of cash it holds to meet capital calls, this can be seen from the lower average balances in April, it has also improved operational efficiency in meeting call notices.



13. Cashflow activity for private markets capital calls have continued to be met as commitments made to Brunel Cycle 2 portfolios (Private Debt, Private Equity, Infrastructure & Secured Income) are called and the fund commitments to affordable housing. Q1 of 2023 included a high number of low value capital calls mainly for the funds private equity portfolios.



Planned improvements and key items to monitor

14. The team has been making improvements to accounting processes in several areas. A summary of planned improvements, current issues and progress to date, is shown below:

Improvement / Issue	Last RAYG* rating	Current RAYG* rating	Comments
Integrated systems			New plans are now being worked on to implement an integrated payroll and a one-off payments system within Altair. The payroll will be set-up, tested etc. and then pensioners would transfer to the new Evolve system and be moved to the Altair payroll in batches when the reconciliation work is complete and the payroll team have capacity. One-off payments is in the process of being implemented. New payroll manager has started to enable these new processes.
Evolve			Implementation of the SAP financial system is now planned for November 2023. The fund will continue to have access to a functional finance system and payroll until the new system is established. The pension is represented on key implementation working groups. The new system is in development to meet the Council and pension fund needs.
Wiltshire Council – Wiltshire Pension Fund SLA charge			LPB Action Point – SLA Recharge The Council have provided a new fee for 23/24 based on a reasonable methodology for all key items, these costs have been included in the agreed budget for the year. Officers are chasing for a formal SLA document to support all the charges, to be drafted by the council.
	Significant concern		
	Not started		
	Work has commenced		
	Significant progress made		
	Completed/situation under control		

Environmental Impacts of the Proposals

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

16. There are no known implications at this time.

Proposals

17. The Committee is asked to use this report to monitor progress against resolving the issues which have been identified, and the progress made to develop accounting and control improvements.

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