

WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD
11th November 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. The purpose of this report is so that the Committee and Local Pension Board can easily review key areas of financial controls and monitor progress against planned improvements.

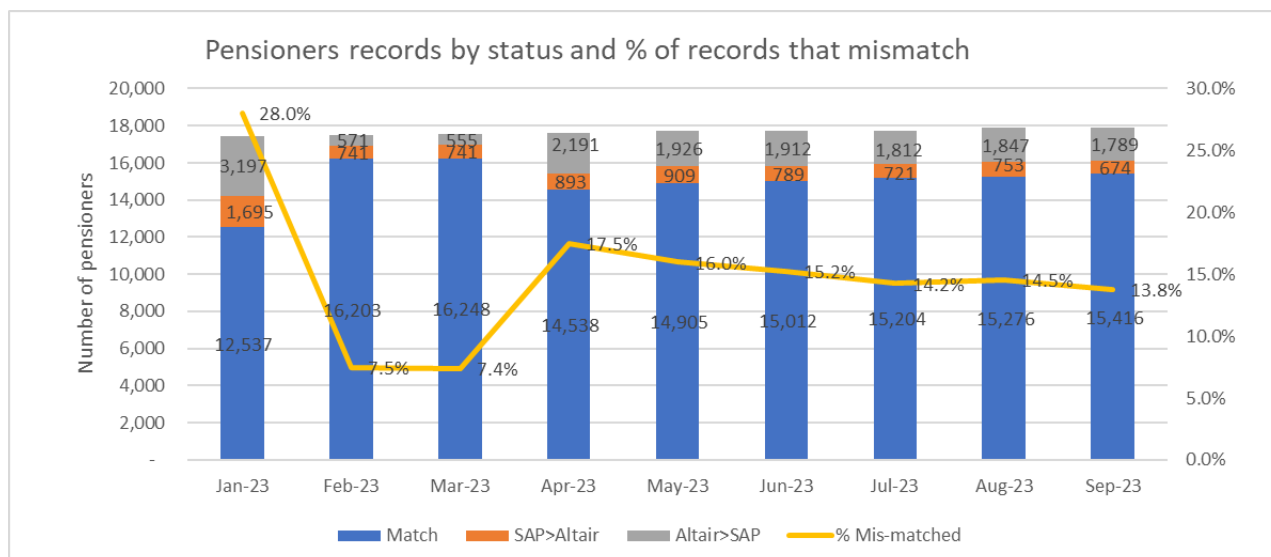
Key Considerations for the Committee / Risk Assessment / Financial Implications

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 with a note in the audit report section explaining the unaudited status.
4. Work is completed on the accounts and annual report for 2022/23, the external auditors commenced their work in October, however work has recently paused, we are chasing the auditors up for a progress update.

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%. Following the application of the pension increase in April 2023 this has created an increase in the mismatch between the systems. The reconciliation has identified this issue which was caused by the application of the pension increase which highlighted errors in the way payroll records for GMP had been set up. Corrections for the GMP issue and for remaining variances are being progressed for the December and January payroll.

Integrated Systems

- The new Evolve system went live in November 2023, the finance team were actively involved in training and testing for the system. Unfortunately despite this the team are encountering problems with the accounting system post going live. Issues with making payments to suppliers and pensioners are covered in a separate item on this meeting agenda. There are also problems with posting journals and running the reports they need on the new system. They are working hard to re-establish their accounting processes and to get things up and running with support from the evolve team. In the interim all daily banking is being kept up to date and reconciliation controls are as up to date as they can be prior to the system go live.
- Implementation of the funds own immediate payments function starts on the 12 December, via its own Altair payroll system. As a result, the Fund anticipates that its ongoing dependency on Oracle for payments to members and suppliers is expected to be limited.

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
	Nov-23			
1. Employer Contributions		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		Monthly payroll sign off process checking starters and leavers plus reconciliation of Altair to Payroll	Reconciliation differences forecast to decline over the coming months following approved corrections being made.	
3. Cashflow, banking and capital calls		Maximum and minimum cash balances, private markets capital calls and distributions and treasury performance.	See summary performance table for full details.	Issue with a single approval required by the banking provider for large payments has increased the risk to making timely payments. Treasury limit for operational cash temporarily exceeded due to higher employer contributions, review of treasury policy required.
4. Balance Sheet Reconciliations		All balance sheet control codes are reviewed for accuracy and outstanding issues.	All control codes have been reviewed and checked, no unexplained balances prior to Evolve implementation.	Get the processes up and running again following the evolve implementation
5. Altair Checks		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.	Get the processes up and running again following the evolve implementation
6. Financial Budget Reporting		Review of year to date and forecast operating budget performance, or any unusual monthly movements on the overall fund account.	Latest forecast in line with budget, new forecast required following Q3 23/24 data.	Get the processes up and running again following the evolve implementation
No material concerns				
Minor issues				
Major issues				

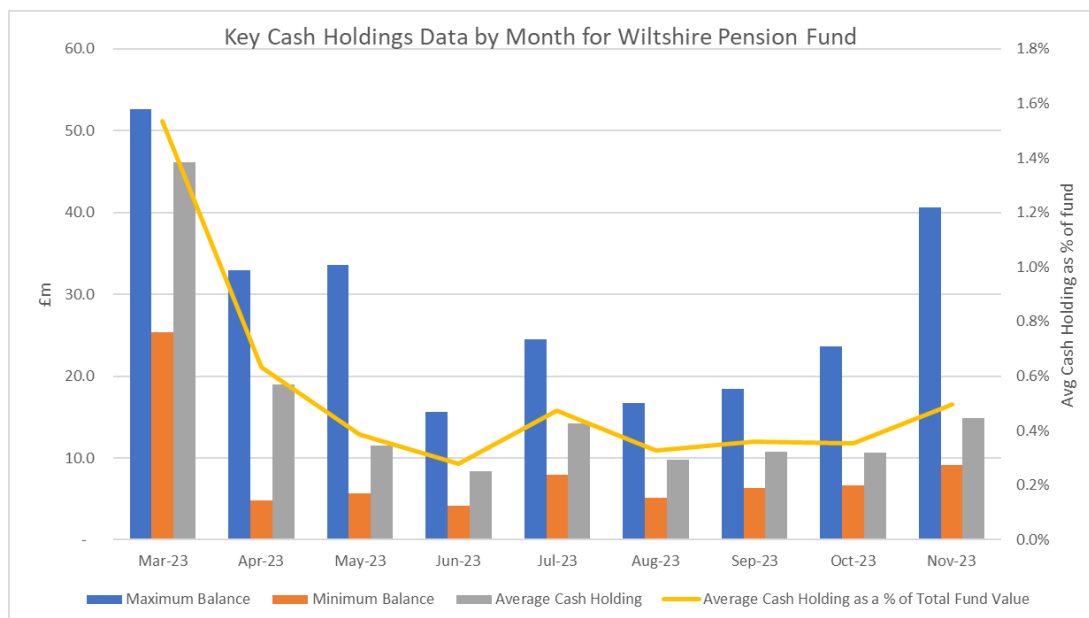
9. The following table provides further details for performance dashboard item 1. Employer contributions.

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-23	35,505	34,625	881	2.5%	22.0	-	167	8	-
Q1	May-23	8,289	6,267	2,022	32.3%	14.6	-	164	11	-
Q1	Jun-23	8,297	8,286	9	0.1%	69.0	-	174	1	-
Q2	Jul-23	8,289	6,011	2,278	37.9%	9.5	-	162	11	-
Q2	Aug-23	8,232	8,217	15	0.2%	3.3	-	167	6	-
Q2	Sep-23	8,071	7,203	868	12.1%	4.1	-	167	8	-
Q3	Oct-23	8,253	7,146	1,107	15.5%	2.4	30.0	163	9	2
Total	Q1	52,091	49,178	2,912	5.9%	35.2	-	505	20	-

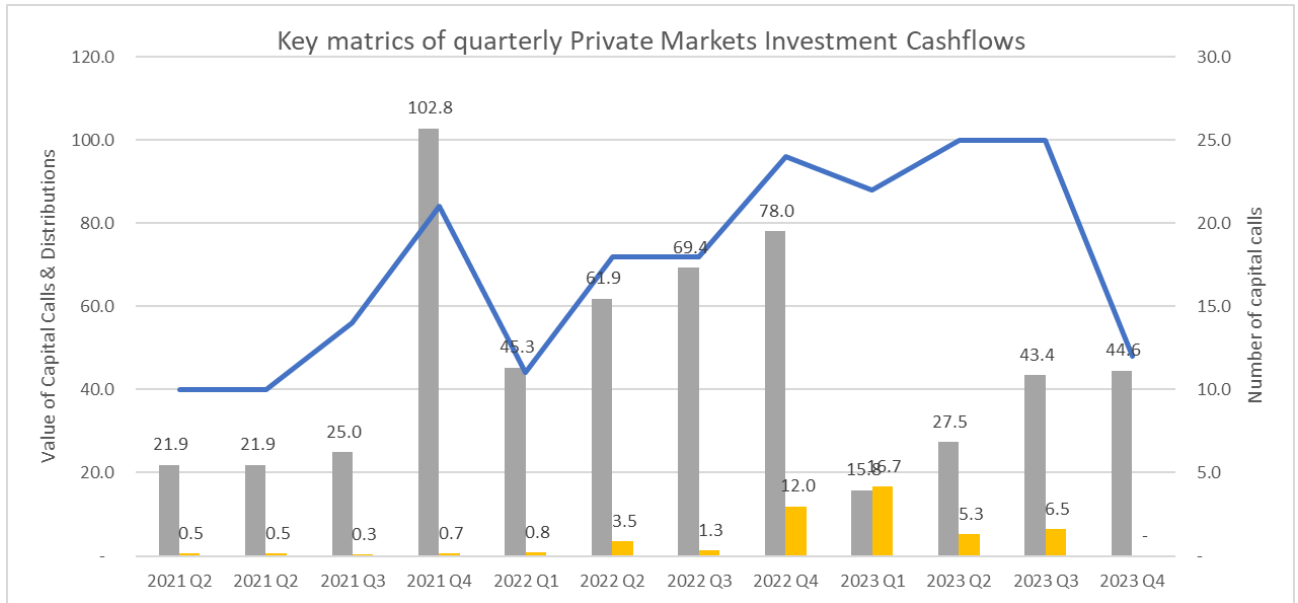
10. The majority of the late payments are received within a day or two of the deadline and all employers who have not paid are contacted immediately after the deadline day to remind them to pay. Persistently late payments or employers where we have problems are escalated to the employer engagement and training officer for resolution. There remain a few payments which have not yet been received from small employers, the fund has received assurance these outstanding payments will be received soon.

11. The operational cashflow is managed on a daily basis by the Wiltshire Council team, this covers all cash not held by the fund's custodian or investment managers. This cash forms a part of the overall cash reported in the graphs below. The pension fund officers work closely with this team to ensure sufficient liquidity is always available.

12. The new SALAMI (strategic allocation to liquid asset-matching investments) portfolio has allowed the fund to reduce the amount of cash it holds to meet capital calls, this can be seen from the lower average balances from April 2023, it has also improved operational efficiency in meeting call notices. The Maximum balance increased in November as the fund undertook rebalancing work for the investment portfolios.



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. Large calls are anticipated for early 2024 to fund new commitments to the Climate Opportunities fund, a plan is in place to ensure sufficient liquidity is available to meet these calls.



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			Integrated payments is ready to be implemented in December 2023
Evolve			The implementation has caused significant issues for payments and the ongoing operations for the pension fund accounting team. Work is ongoing to ensure these are resolved.
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 drafting an SLA document to support all the charges.
	Significant concern		
	Not started		
	Work has commenced		
	Significant progress made		
	Completed/situation under control		

Budget Forecast

15. The fund is forecasting expenditure slightly above budget for the year 2023/24, this is after including additional costs approved by Committee for the office space rental (Annual Cost £84k, 2023/24 cost £49k for 7 months) and a proposed additional cost for investment advisory work, covered in point 20 below. Excluding this additional approved cost the fund is forecasting a small underspend of £49k.
16. The forecast assumes work on the major outsourcing projects of payroll reconciliation and backlog clearance remain within budget.
17. Underspends are forecast on staffing costs due to vacancies within the team and delays in recruiting staff. The national pay award for local government staff has now been agreed, which is inline with the budget. (Pay Inflation – Based on the latest pay award of a fixed £1,925k increase for all grades).
18. The forecast includes an additional £50k of investment consultancy costs above the original budget to enable implementation of the Climate Opportunities Investment portfolio. This covers investment advice and due diligence reporting for the >£200m allocation to new investment managers. Officers are requesting approval from the Committee of these additional costs above the budget to enable implementation of the strategic asset allocation.

Wiltshire Pension Fund Budget 2023/24

£000's	Prior Year				2023/24			
	2019/20	2020/21	2021/22	2022/23	Forecast	Budget	Variance	% Variance
Investment administration staffing costs	119	114	206	193	238	245	7	3%
Investment administration travel/conferences/training costs	0	2	24	1	18	18	(0)	-1%
Total investment administration costs	120	116	230	194	256	263	7	3%
Pension scheme administration staffing costs	996	1,036	1,152	1,332	1,639	1,672	32	2%
Staff training	19	22	18	19	21	22	1	3%
Corporate charges	311	311	311	308	565	515	(49)	-10%
Pension administration systems and data cleansing	310	354	328	409	606	618	12	2%
Other administration costs	107	51	28	419	728	727	(1)	0%
Total scheme administration costs	1,743	1,775	1,838	2,487	3,559	3,554	(5)	0%
Oversight & governance staffing costs	246	180	225	236	257	266	9	3%
Training and conferences	8	0	24	18	30	30	0	2%
Subscriptions, memberships and levies	34	32	44	33	36	39	3	8%
Actuarial services	214	154	147	391	142	156	14	9%
Audit	10	37	27	40	91	91	0	0%
Legal fees	13	11	28	54	50	29	(21)	-75%
Advisory fees	142	196	276	230	284	233	(50)	-21%
Corporate charges & other costs	149	165	144	146	47	47	(0)	0%
Total oversight & governance costs	815	775	916	1,146	936	892	(44)	-5%
Local Pension Board costs	14	14	15	17	26	24	(2)	-8%
Total operational running costs	2,692	2,679	2,998	3,845	4,777	4,733	(44)	-1%
Number of Members	80,824	82,454	82,454	82,454	82,454	82,454		
Total Running Cost per member (Admin & Governance)	£ 31.83	£ 31.09	£ 33.58	£ 44.27	£ 54.83	£ 54.21	-£ 0.62	-1%
Additional Costs								
New Office Space					49	0	(49)	
Climate solutions investment costs					50	0	(50)	
Exclude Additional Approved Costs					99	0	(99)	
Amended Costs Excluding additional Approved costs					4,678	4,733	55	

Environmental Impacts of the Proposals

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

20. There are no known implications at this time.

Proposals

21. The Committee is asked to use this report to monitor progress against resolving the issues which have been identified.
22. The Committee is asked to approve the additional £50k of investment due diligence and advice in relation to the Climate Opportunities Portfolio.

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