

CITY AND COUNTY OF SWANSEA

NOTICE OF MEETING

You are invited to attend a Meeting of the

PENSION FUND COMMITTEE

At: Committee Room 5, Guildhall, Swansea

On: Thursday, 15 September 2016

Time: 10.00 am

Chair: Councillor Rob Stewart

Membership:

Councillors: P Downing, C E Lloyd, J Newbury, D G Sullivan and M Thomas

Neath Port Talbot Co-opted Member: Councillor P Rees

Independent Investment Co-advisors: V Furniss, N Mills

AGENDA

	Page No.
1 Apologies for Absence.	
2 Disclosures of Personal and Prejudicial Interests. www.swansea.gov.uk/DisclosuresofInterests	
3 Minutes. To approve & sign the Minutes of the previous meeting(s) as a correct record.	1 - 4
4 Report(s) of the Wales Audit Office.	
a ISA 260 Report - City & County of Swansea Pension Fund.	5 - 24
5 Report(s) of the Section 151 Officer.	
a Statement of Accounts 2015/16.	25 - 66
b The Impact of Carbon Investment.	67 - 70
6 Exclusion of the Public.	71 - 74
7 Report(s) of the Section 151 Officer.	
a Infrastructure Allocation - Hastings.	75 - 84
8 Investment Summary.	85 - 96
9 Report(s) of the Independent Advisors.	97 - 110

10 Presentation- Fund Manager.

a) Goldman Sachs- Global Bonds.

Next Meeting: Thursday, 8 December 2016 at 10.00 am



Huw Evans

Head of Democratic Services

8 September 2016

Contact: Democratic Services: - 636923

CITY AND COUNTY OF SWANSEA

MINUTES OF THE PENSION FUND COMMITTEE

HELD AT COMMITTEE ROOM 1, CIVIC CENTRE, SWANSEA ON
THURSDAY, 14 JULY 2016 AT 10.00 AM

PRESENT: Councillor P Downing (Vice Chair) Presided

Councillor(s)
M Thomas

Councillor(s)
C E Lloyd

Councillor(s)
J Newbury

Officer(s)

Jeffrey Dong
Debbie Smith
Jeremy Parkhouse

Chief Treasury & Technical Officer
Directorate Lawyer
Democratic Services Officer

ALSO PRESENT:

N Mills Independent Investment Advisor
V Furniss Independent Investment Advisor

Apologies for Absence

Councillor(s): P Rees, R C Stewart and D G Sullivan

5 **DISCLOSURES OF PERSONAL AND PREJUDICIAL INTERESTS.**

In accordance with the Code of Conduct adopted by the City and County of Swansea, the following interests were declared: -

Councillor P Downing - agenda as a whole - my brother works for the Council and contributes to the Pension Fund.

NOTED that Councillor P Downing had received dispensation from the Standards Committee in this respect.

Councillor C E Lloyd – agenda as a whole – my father is a member of the Local Government Pension Scheme – personal.

Councillor J Newbury - I am in receipt of a Council pension that was passed to me upon my wife's death - personal.

Councillor M Thomas - agenda as a whole - I and my wife are members of the Local Government Pension Scheme - personal.

NOTED that Councillor M Thomas had received dispensation from the Standards Committee in respect of his wife.

6 **MINUTES.**

RESOLVED that the Minutes of the Pension Fund Committee held on 10 March 2016 be approved as correct record

7 **PENSION FUND COMMITTEE TRAINING.**

The Chief Treasury and Technical Officer presented a report to determine an annual training programme for Trustees and Officers of the Pension Fund. The training would ensure compliance with the CIPFA Public Sector Pensions Finance Knowledge & Skills Code of Practice.

RESOLVED that the Training identified for Members and Officers outlined above be approved.

8 **INFRASTRUCTURE ALLOCATION - AN UPDATE.**

The Chief Treasury and Technical Officer presented a 'for information' report which presented an update on the Infrastructure Investment Manager appointment approved by the Pension Fund Committee on 3rd December 2014.

9 **REPORT ON THE CESSATION OF AN ADMITTED BODY - COLIN LAVER. (FOR INFORMATION)**

The Chief Treasury and Technical Officer presented a 'for information' report regarding the cessation of Colin Laver Heating Ltd. as an Admitted Body in the City and County of Swansea Pension Fund.

10 **INTERNAL CONTROLS REPORT(S).**

The Chief Treasury and Technical Officer presented a 'for information' report which informed the Pension Fund Committee of reportable items contained within the internal controls reports of appointed fund managers.

11 **EXCLUSION OF THE PUBLIC.**

The Committee was requested to exclude the public from the meeting during consideration of the item(s) of business identified in the recommendation(s) to the report on the grounds that it/they involve(s) the likely disclosure of exempt information as set out in the exclusion paragraph of Schedule 12A of the Local Government Act 1972, as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007 relevant to the item(s) of business set out in the report.

The Committee considered the Public Interest Test in deciding whether to exclude the public from the meeting for the items of business where the Public Interest Test was relevant as set out in the report.

RESOLVED that the public be excluded for the following items of business.

(CLOSED SESSION)

12 **REPORT(S) OF THE INDEPENDENT ADVISORS.**

The report presented the economic update and market commentary from the perspective of the appointed Independent Investment Advisors. Mr N Mills provided an economic and market update and Mr V Furniss provided an investment report for the quarter ended 31st March 2016. He also provided the exchange rates and index returns for the period from 31st March to the 7th July 2016 and some essential detail in the aftermath of the Brexit Referendum.

The content of each report was noted by the Committee and the Independent Advisors were thanked for their reports.

13 **INVESTMENT SUMMARY.**

The Chief Treasury and Technical Officer provided a “for information” report which presented the investment performance for the quarter year ended 31st March 2016. Attached at Appendix 1 of the report were the Quarterly Investment Summaries for the Pension Fund for the quarter ended 31st March 2016.

14 **SUBMISSION BY THE WALES POOL TO THE DEPARTMENT FOR COMMUNITIES AND LOCAL GOVERNMENT (DCLG) IN RESPONSE TO THE PUBLICATION IN NOVEMBER 2015 OF LGPS: INVESTMENT REFORM CRITERIA AND GUIDANCE.**

The Chief Treasury and Technical Officer presented for approval the joint submission in respect of the 8 Welsh Pension Funds in response to the Government’s Investment Reform Criteria and Guidance. The final submission was provided at Appendix 1 of the report.

RESOLVED that the formal submission in respect of the 8 Welsh Pension Funds be approved on behalf of the City & County of Swansea Pension Fund Committee.

15 **PRESENTATIONS - FUND MANAGERS.**

- (1) A presentation was provided by Richard Dyson on behalf of Aberdeen Asset Management – Global Equities and Frontier Markets;
- (2) A joint presentation was provided by Lyndon Bolton and Andy Simpson on behalf of Schroders Asset Management – UK Equities;
- (3) A joint presentation was provided by Adrian Brown and Monique Stephens on behalf of JP Morgan Asset Management – Global Equities.

Questions in relation to the content of the presentations were asked at the end of each presentation by the Committee and responses were provided by the respective Fund Managers.

The contents of the presentations were noted and the Chair thanked each of the Fund Managers for attending the meeting.

The meeting ended at 12.45 pm

CHAIR

Archwilydd Cyffredinol Cymru
Auditor General for Wales



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Audit of Financial Statements Report **City & County of Swansea Pension Fund**

Audit year: 2015-16

Issued: September 2016

Document reference: 505A2016

Status of report

This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties.

In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at info.officer@audit.wales.

Contents

The Auditor General intends to issue an unqualified audit report on the City & County of Swansea Pension Fund's financial statements, however there are some issues to report to you prior to their approval.

Summary report

Introduction	4
Status of the audit	4
Proposed audit report	6
Significant issues arising from the audit	6
Recommendations arising from our 2015-16 financial audit work	7
Independence and objectivity	7

Appendices

Final Letter of Representation	8
Auditor General for Wales' report to the Members of the City & County of Swansea	11
Summary of corrections made to the draft financial statements	14
Recommendations arising from our 2015-16 financial audit work	16

Summary report

Introduction

1. The Auditor General is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of the City & County of Swansea Pension Fund (the Pension Fund) at 31 March 2016 and its income and expenditure for the year then ended.
2. We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the financial statements being misled.
3. The gross assets controlled by the Pension Fund amount to £1.5 billion. The quantitative level at which we judge such misstatements to be material for the Pension Fund is £15.1 million. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity.
4. International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action to be taken, should there be any required.
5. This report sets out for consideration the matters arising from the audit of the financial statements of the Pension Fund for 2015-16 which require reporting under ISA 260. A separate report has been issued covering the City & County of Swansea and the City & County of Swansea Group.

Status of the audit

6. We received the draft financial statements for the year ended 31 March 2016 a week before the deadline of 30 June 2016 and have now substantially completed our audit work.
7. Our Audit Plan for the Pension Fund issued in March 2016 sets out the financial audit risks which we considered to be significant. We have undertaken audit to assess these risks and also considered any new risks which might have arisen. A summary of the financial audit risks, the audit work undertaken and our conclusion is shown in [Exhibit 1](#).

Exhibit 1: Financial audit risks, audit work undertaken and conclusion

Financial audit risk	Audit work undertaken and conclusion
<p>Management override</p> <p>The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33].</p>	<p>We have:</p> <ul style="list-style-type: none"> • tested the appropriateness of journal entries and other adjustments made in preparing the financial statements; • reviewed accounting estimates for biases; and • evaluated the rationale for any significant transactions outside the normal course of business. <p>We do not have any significant matters to report.</p>
<p>Investment Managers</p> <p>The systems and records of the investment managers generate account entries made to the Pension Fund Account and Net Assets Statement. The investment managers provide internal controls reports on the investments held on behalf of the Pension Fund. These are independently audited and provide the Pension Fund with assurance on a wide range of controls eg, valuation of the investment portfolio held.</p> <p>There is a risk that the internal control reports will not be available for assurance purposes and/or cover all our requirements.</p>	<p>We have:</p> <ul style="list-style-type: none"> • assessed the investment managers as a service organisation; • checked that investments have been made in accordance with the Statement of Investment Principles; • obtained direct confirmation from investment managers and custodians of year-end investment balances and holdings; and • assessed whether the investment managers' internal control reports for all investment managers provide assurance over a wide range of relevant controls, including valuation of investments held. <p>We do not have any significant matters to report.</p>
<p>Private Equity Investments</p> <p>Year-end valuation of private equity investments are provided by investment managers which are based upon forward looking estimates and judgements. As there is no quoted market price, there is a greater risk for the reasonableness of valuation bases of these investments.</p>	<p>We have:</p> <ul style="list-style-type: none"> • confirmed the investment valuations to audited financial statements; and • sought additional assurance over the valuation basis from controls assurance reports, where available. <p>We do not have any significant matters to report.</p>
<p>Pension Code</p> <p>A new Pension Code, incorporating International financial Reporting Standards, has been issued in the year. There are a number of changes to the 2015-16 financial statements to present information in line with the new Code and IFRS requirements.</p>	<p>We have:</p> <ul style="list-style-type: none"> • completed an early review of the financial statements and agreed any disclosure and presentational changes with management; and • provided an audit deliverables document to assist the Council in the preparation of relevant working papers in support of the financial statements. <p>We do not have any significant matters to report.</p>

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8. We are now reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. We have discussed these issues with Mike Hawes the Director of Corporate Services.

Proposed audit report

9. It is the Auditor General's intention to issue an unqualified audit report on the financial statements once you have provided us with a Letter of Representation based on that set out in [Appendix 1](#).
10. The proposed audit report is set out in [Appendix 2](#). The Pension Fund is included within the Council's main financial statements and therefore the opinion shown is that proposed for the Council's main financial statements incorporating the Pension Fund.

Significant issues arising from the audit

Uncorrected misstatements

11. There are no misstatements identified in the financial statements which remain uncorrected.

Corrected misstatements

12. There were a number of misstatements which have been corrected by management but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process. They are set out with explanations in [Appendix 3](#). These amendments had no impact on the Fund Account but the value of investments in the Net Assets Statement was increased by £1,513,000. There were also a number of other presentational amendments made to the draft financial statements arising from the audit.

Other significant issues arising from the audit

13. In the course of the audit, we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you:
- We have no concerns about the qualitative aspects of your accounting practices and financial reporting. We found the information provided to be relevant, reliable, comparable, material and easy to understand. We concluded that accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear.
 - We did not encounter any significant difficulties during the audit. We received information in a timely and helpful manner and were not restricted in our work.
 - There were no significant matters discussed and corresponded upon with management which we need to report to you.

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- There are no other matters significant to the oversight of the financial reporting process that we need to report to you.
 - We did not identify any material weaknesses in your internal controls. However, we have identified that controls over manual journals, the recording of pensioner numbers, year-end reconciliations between payroll and the pensions systems and compliance with the Statement of Investment Principles can be improved. Further details are set out in [Appendix 4](#).
 - There are no other matters specifically required by auditing standards to be communicated to those charged with governance.

Recommendations arising from our 2015-16 financial audit work

14. The key recommendations arising from our financial audit work are set out in [Appendix 4](#). Management has responded to them and we will follow up progress on them during next year's audit. Where any actions are outstanding, we will continue to monitor progress and report it to you in next year's report.

Independence and objectivity

15. As part of the finalisation process, we are required to provide you with representations concerning our independence. We have complied with ethical standards and, in our professional judgment, we are independent and our objectivity is not compromised. There are no relationships between the Wales Audit Office and the Pension Fund that we consider to bear on our objectivity and independence.

Appendix 1

Final Letter of Representation

Auditor General for Wales
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

Representations regarding the 2015-16 financial statements

This letter is provided in connection with your audit of the financial statements of the City & County of Swansea Pension Fund (the Pension Fund) for the year ended 31 March 2016 for the purpose of expressing an opinion on their truth and fairness.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

Management representations

Responsibilities

We have fulfilled our responsibilities for:

- The preparation of the financial statements in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom; in particular the financial statements give a true and fair view in accordance therewith.
- The design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

- Full access to:
 - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.

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- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 - Our knowledge of fraud or suspected fraud that we are aware of and that affects the Pension Fund and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
 - Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
 - Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
 - We have informed you of any concerns raised or comments made by regulators about the pension fund, its fund managers and any assets/liabilities.
 - The identity of all related parties and all the related party relationships and transactions of which we are aware.

Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Representations by the City & County of Swansea

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Members of the City & County of Swansea on 22 September 2016.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Director of Corporate Services

Date

Chair of the Council

Date

Appendix 2

Auditor General for Wales' report to the Members of the City & County of Swansea

I have audited the accounting statements and related notes of:

- the City & County of Swansea;
- the City & County of Swansea Group; and
- the City & County of Swansea Pension Fund

for the year ended 31 March 2016 under the Public Audit (Wales) Act 2004.

The City & County of Swansea's accounting statements comprise: the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement on the Housing Revenue Account Statement and the Housing Revenue Account Income and Expenditure Statement.

The City & County of Swansea Group's accounting statements comprise: the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the Group Cash Flow Statement.

The City & County of Swansea Pension Fund's accounting statements comprise the Fund Account and the Net Assets Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 based on International Financial Reporting Standards (IFRSs).

Respective responsibilities of the responsible financial officer and the Auditor General for Wales

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 186, the responsible financial officer is responsible for the preparation of the statement of accounts, including the City & County of Swansea's Group accounting statements and the City & County of Swansea Pension Fund's accounting statements, which gives a true and fair view.

My responsibility is to audit the accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the accounting statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the City & County of Swansea and the City & County of Swansea Group and the City & County of Swansea Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the

responsible financial officer and the overall presentation of the accounting statements and related notes.

In addition, I read all the financial and non-financial information in the Narrative Report to identify material inconsistencies with the audited accounting statements and related notes and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Opinion on the accounting statements of the City & County of Swansea

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of the City & County of Swansea as at 31 March 2016 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16.

Opinion on the accounting statements of the City & County of Swansea Group

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of the City & County of Swansea Group as at 31 March 2016 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16.

Opinion on the accounting statements of the City & County of Swansea Pension Fund

In my opinion, the Pension Fund accounts and related notes:

- give a true and fair view of the financial transactions of the City & County of Swansea Pension Fund during the year ended 31 March 2016 and of the amount and disposition of the fund's assets and liabilities as at that date; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16.

Opinion on other matters

In my opinion, the information contained in the Narrative Report is consistent with the accounting statements and related notes.

Matters on which I report by exception

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- adequate accounting records have not been kept;
- the accounting statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit; and

-
- the Governance Statement does not reflect compliance with guidance.

Certificate of completion of audit

I certify that I have completed the audit of the accounts of the City & County of Swansea in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

For and on behalf of
Huw Vaughan Thomas
Auditor General for Wales

Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

29 September 2016

Appendix 3

Summary of corrections made to the draft financial statements

During our audit we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

Value of correction	Nature of correction	Reason for correction
£1,458,000	<p>The HarbourVest private equity fund was undervalued by £1,458,000 in the draft financial statements. Due to the HarbourVest 90 day reporting period, the Council used an estimated figure provided by HarbourVest.</p> <p>This amendment increases the value of investments in the Net Assets Statement by £1,458,000.</p>	To adjust the HarbourVest private equity fund valuation within the financial statements to that subsequently confirmed by the investment manager as at 31 March 2016.
-£219,000	<p>The Aegon AVC fund (which is not part of the Pension Fund), was overstated by £219,000 in the draft financial statements. Last year's valuation was used as the required information from Aegon was not received until after the draft financial statements were prepared.</p> <p>This amendment did not impact on the Net Assets Statement as it is not part of the Pension Fund.</p>	To adjust the figures for Aegon within the financial statements to that subsequently confirmed by the AVC provider as at 31 March 2016.
£13,105,000 (2015-16) £2,622,000 (2014-15)	<p>Due to an error, the current and prior year Investment balances detailed within Note 22 of the draft financial statements for Property Unit Trusts and Property Funds did not agree with the analysis of investments in Note 11. Note 23 was also updated to reflect the correct figures.</p> <p>This amendment did not impact on the Net Assets Statement.</p>	To adjust the figures in Note 22 and Note 23 so that they agree with Note 11.
£407,000	<p>As a result of an error, the Aberdeen investment purchases figure in Note 12 was overstated by £407,000 in the draft financial statements.</p> <p>This amendment did not impact on</p>	To adjust the Aberdeen investment purchases figure within the financial statements to that confirmed by the Fund Manager as at 31 March 2016.

Value of correction	Nature of correction	Reason for correction
	the Net Assets Statement.	
£66,019,000	Cash funds, deposits and dividends due were not disclosed in Note 11 as required by the CIPFA guidance.	To adjust Note 11 to include cash funds, deposits and dividends within the financial statements.
Various	The classification of the Pooled Investment Vehicles across Fair value Hierarchy levels was incorrectly disclosed within Note 22.	To adjust the classification of Pooled Investment Vehicles within the financial statements to bring it in line with CIPFA guidance.
	The investment asset allocation for overseas equities was identified as being above the upper threshold set out within the approved Statement of Investment Principles at 31 March 2016. Further detail is set out in Appendix 4 .	To include further narrative within the Note 23 detailing the rebalancing of asset allocations.
	The actuarial present value of retirement benefits was not disclosed within the draft financial statements. This is a disclosure requirement.	To include the actuarial present value of retirement benefits within the financial statements.
	A post balance sheet events note was not included in the draft financial statements. This is a disclosure requirement.	To include a disclosure note for post balance sheet events within the financial statements.
+£55,000	Various other minor presentational amendments were made to the draft financial statements. These amendments included an amendment to current assets which increased the Net Asset Statement by £55,000.	To improve the readability of the financial statements.

Appendix 4

Recommendations arising from our 2015-16 financial audit work

We set out all the recommendations arising from our audit with management's response to them. We will follow up these next year and include any outstanding issues in next year's audit report:

Matter arising 1 – Journal approval

Findings	Accountants have the facility to post and approve single journal entries up to a value of £250,000. Journal entries above £250,000 require manager approval.
Priority	Medium
Recommendation	The Authority should review its journal authorisation limits and consider lowering the value at which journals require secondary approval.
Benefits of implementing the recommendation	Implementation of the recommendation would improve the control environment by increasing the segregation of duties over journal processing.
Accepted in full by management	Agreed
Management response	The Authority will undertake a review in 2016-17.
Implementation date	June 2017.

Matter arising 2 – Membership numbers

Findings	There was a net difference of 1,640 member numbers between the closing 2014-15 balance as reported in last year's accounts and the opening 2015-16 balance as indicated by the membership numbers report produced from the pensions system (note 21). Information is received from admitted and scheduled bodies relating to the previous financial year throughout April and May. The membership numbers report detailing the 2015-16 opening balances was generated on 24 May 2016. The pension database is a 'live' system and the opening balances will have been updated with new information between 1 April 2016 and 24 May 2016 when the report was generated. This timing difference will have accounted for some of the movement in member numbers – for example 794 of the net difference related to an increase in deferred pensioners. Throughout 2015-16, admitted and scheduled bodies were encouraged to provide more up to date information on deferred pensioner membership numbers dating back to 2013 to ensure that membership numbers recorded on the pension database were accurate.
Priority	High

Matter arising 2 – Membership numbers

Recommendation	The Authority should remind all external bodies of the importance of providing accurate and timely information to the administration team to ensure the accuracy of the figures within the Pension Fund database.
Benefits of implementing the recommendation	Implementation of the recommendation would improve the reconciliation, reporting of and monitoring of membership numbers within the Authority and associated bodies.
Accepted in full by management	Agreed
Management response	The Authority already regularly liaises with employers regarding their responsibilities re the importance of flow of information re starters/leavers etc, and is reinforced with roadshows and workshops with employers and agreement of employers with the Pensions Administration Strategy.
Implementation date	Ongoing

Matter arising 3 – Reconciliation of the ALTAIR data base

Findings	There have been delays in completing the year-end reconciliation of the ALTAIR (pensions) database to the payroll systems of some admitted bodies. The reconciliation work has been delayed this year for a number of reasons, including a slow response rate from admitted bodies, staff absences and issues arising from the introduction of I-Connect software to interface the payroll and pensions systems. At 1 September 2016, only the reconciliation for NPTC Group – Neath Port Talbot College was outstanding.
Priority	High
Recommendation	The Authority must complete the year-end reconciliation of the ALTAIR database to the various payroll systems as soon as possible. Differences need to be resolved with admitted bodies. The Authority also needs to reconcile its own records following the introduction of I-Connect.
Benefits of implementing the recommendation	Implementation of the recommendation would resolve any differences between the Authority's records and those held by admitted bodies. This would improve the quality of the information held within the database.
Accepted in full by management	Agreed
Management response	The Authority routinely undertakes the reconciliations identified. Enquiries with NPTC Group are ongoing.
Implementation date	September 2016

Matter arising 4 – Compliance with the approved Statement of Investment Principles

Findings	At the year-end, the investment asset allocation for overseas equities was above the upper threshold set out in the approved Statement of Investment Principles. The Statement of Investment Principles allows up to 39% but, at the year-end, the balance was 39.24% of the total asset allocation. It is also likely that this threshold was exceeded during the year.
Priority	High
Recommendation	The Council must ensure that arrangements are in place to ensure that the approved Statement of Investment Principles are complied with.
Benefits of implementing the recommendation	Implementation of the recommendation would ensure that the approved investment strategy of the Pension Fund was complied with, so reducing over exposure to risk.
Accepted in full by management	Agreed
Management response	<p>It should be recognised that, in times of volatile asset values, asset allocation parameters may be breached on a temporary basis. The merits of physically rebalancing should be weighed against the transactional costs of doing so when in the event of market reversion, the asset values would have normalised in any case.</p> <p>The physical rebalancing of the portfolio and the material costs involved can be mitigated when considered, when transitioning the passive assets later in 2016.</p>
Implementation date	Oct 2016

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Report of the Section 151 Officer

Pension Fund Committee – 15 September 2016

CITY & COUNTY OF SWANSEA PENSION FUND STATEMENT OF ACCOUNTS 2015/16

Purpose:	To approve the statement of accounts for the City & County of Swansea Pension Fund
Reason for Decision:	To comply with governance/reporting guidelines.
Consultation:	Legal, Finance and Access to Services.
Recommendation:	That The City & County of Swansea Pension Fund Statement of Accounts is approved
Report Author:	J Dong
Finance Officer:	M Hawes
Legal Officer:	S Williams
Access to Services Officer:	S Hopkins

City & County of Swansea Pension Fund Statement of Accounts 2015/16

1 Background

- 1.1 The City & County of Swansea Pension Fund Accounts form a distinct and separate component of the Statement of Accounts of the City & County of Swansea as a whole.

2 Audit

- 2.1 The Wales Audit Office have audited the Pension Fund Statement of Accounts 2015/16 in line with their audit plan presented to Pension Fund Committee on earlier in the year. This is the first audit under the new external audit arrangements since the departure of PWC as appointed auditors.
- 2.2 WAO have presented their findings earlier on this agenda.

3 Recommendation

- 3.1 The Pension Fund Committee is asked to approve the City & County of Swansea Pension Fund Statement of Accounts 2015/16 as attached at Appendix 1.

4 Legal Implications

- 4.1 There are no legal implications arising from this report.

5 Financial Implications

5.1 There are no financial implications arising from this report.

6 Equality and Engagement Implications

6.1 There are no equality and engagement implications arising from this report.

Background papers: None.

Appendices: Appendix 1 - City & County of Swansea Pension Fund Statement of Accounts 2015/16.

CITY & COUNTY OF SWANSEA PENSION FUND


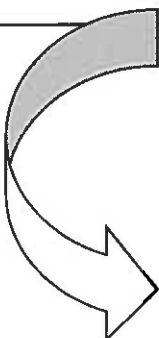

1. Introduction

The City & County of Swansea Pension Fund is administered by the City & County of Swansea. However it is a separate statutory fund and its assets and liabilities, income and expenditure are not consolidated into the accounts of the Authority. That is, the Pensions Fund's assets and liabilities are distinct.

The summarised accounts of the Pension Fund shown here comprise three main elements:-

- The Fund Account which shows income and expenditure of the fund during the year, split between payments to/contributions from members and transactions relating to fund investments.
- The Net Assets Statement which gives a snapshot of the financial position of the fund as at 31st March 2016.
- The Notes to The Financial Statements which are designed to provide further explanation of some of the figures in the statement and to give a further understanding of the nature of the fund.

2 Summary of transactions for the year

Where the money comes from:-	£'000		And where it goes.....	£'000								
Contributions and transfers in	80,843		Pensions Payable Lump sum benefits	56,555								
Other	119		Refunds and transfers out	4,845								
	<u>80,962</u>		Administrative expenses	1,033								
				<u>78,790</u>								
			 									
			<table border="1"> <thead> <tr> <th></th> <th style="text-align: right;">£'000</th> </tr> </thead> <tbody> <tr> <td>Net new money into the Fund</td> <td style="text-align: right;">2,172</td> </tr> <tr> <td>Net return on investments</td> <td style="text-align: right;">-29,332</td> </tr> <tr> <td>Decrease in Fund value</td> <td style="text-align: right;"><u>-27,160</u></td> </tr> </tbody> </table>			£'000	Net new money into the Fund	2,172	Net return on investments	-29,332	Decrease in Fund value	<u>-27,160</u>
	£'000											
Net new money into the Fund	2,172											
Net return on investments	-29,332											
Decrease in Fund value	<u>-27,160</u>											

Section 151 Officer's Certificate

I hereby certify that the statement of accounts on pages 147 to 186 present fairly the position of the Pension Fund at the accounting date and its income and expenditure for the year ended 31st March 2016.

Mike Hawes
Corporate Director (Resources)

CITY & COUNTY OF SWANSEA PENSION FUND

Fund Account For The Year Ended 31st March

2014/15		2015/16
£'000	Notes	£'000 £'000
Contributions and benefits		
Contributions receivable :		
63,647	Employers contribution 3	61,743
16,859	Members contribution 3	16,649 78,392
2,748	Transfers in 4	2,451
91	Other income 5	119
<u>83,345</u>		<u>80,962</u>
Benefits payable :		
-53,452	Pensions payable 6	-56,555
-20,460	Lump sum benefits 6	-16,357 -72,912
Payments to and on account of leavers :		
-116	Refunds of contributions 7	-127
-2,587	Transfers out 7	-4,718 -4,845
-991	Administrative expenses 8	-1,033
<u>5,739</u>	Net additions from dealing with members	<u>2,172</u>
Returns on investments		
24,444	Investment income 9	26,214
132,522	Change in market value of investments 12	-50,884
-7,558	Investment management expenses 8	-4,662
<u>149,408</u>	Net returns on investments	<u>-29,332</u>
<u>155,147</u>	Net decrease in the fund during the year	<u>-27,160</u>
1,384,642	Opening Net Assets of the Fund	1,539,789
1,539,789	Closing Net Assets of the Fund	1,512,629

CITY & COUNTY OF SWANSEA PENSION FUND

Net Assets Statement As At 31 March

31st March 2015		31st March 2016
£'000	Notes	£'000
Investments at market value:		
1,484,960 Investment Assets	11	1,445,832
18,128 Cash Funds	12	99
22,512 Cash Deposits	12	62,783
2,527 Other Investment Balances - Dividends Due	12	3,137
1,528,127 Sub Total		1,511,851
18,591 Current Assets	16	6,592
-6,929 Current Liabilities	16	-5,814
<u>1,539,789 Net assets</u>		<u>1,512,629</u>

The financial statements on pages 147 to 182 summarise the transactions of the Fund and deal with the net assets at the disposal of the Pension Fund Committee. The financial statements do not take account of liabilities and other benefits which fall due after the period end. The actuarial position of the Fund, which does take account of such liabilities, is dealt with in the Statement of the Actuary in the Annual Report of the Pension Fund and a summary is included in Note 18 of this statement, and these accounts should be read in conjunction with this information.

Notes to the Financial Statements

1. Basis of preparation

The financial statements summarise the fund's transactions for the 2015/16 financial year and its position at year-end 31 March 2016. The financial statements have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2015/16* which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The financial statements do not take account of liabilities and other benefits which fall due after the period end.

2. Accounting Policies

The following principal accounting policies, which have been applied consistently (except as noted below), have been adopted in the preparation of the financial statements:

(a) Contributions

Normal contributions, both from the employees and from the employer, are accounted for on an accruals basis in the month employee contributions are deducted from the payroll.

Early Access contributions from the employers are accounted for in accordance with the agreement under which they are paid, or in the absence of such an agreement, when received. Under current rules, employers can exercise discretion to give access to a person's pension rights early (other than for ill health). Where this is done, the additional pension costs arising are recharged to the relevant employer and do not fall as a cost to the fund. Under local agreements some Employers have exercised the right to make these repayments over three years incurring the relevant interest costs. As a result total income is recognised in the Fund Account with amounts outstanding from Employers within debtors.

Other Contributions relate to additional pension contributions paid in order to purchase additional pension benefits.

(b) Benefits

Where members can choose whether to take their benefits as a full pension or as a lump sum with reduced pension, retirement benefits are accounted for on an accruals basis on the later of the date of retirement and the date the option is exercised.

Other benefits are accounted for on an accruals basis on the date of retirement, death or leaving the fund as appropriate.

(c) Transfers to and from other Schemes

Transfer values represent the capital sums either receivable in respect of members from other pension schemes of previous employers or payable to the pension schemes of new employers for members who have left the fund. They are accounted for on a cash basis, or where Trustees have agreed to accept the liability in advance of receipt of funds, on an accruals basis from the date of the agreement.

(d) Investments

- i) The net assets statement includes all assets and liabilities of the fund at the 31st March.

2. Accounting Policies (continued)

- ii) Listed investments are included at the quoted bid price as at 31st March.
- iii) Investments held in pooled investment vehicles are valued at the closing bid price at 31st March if both bid and offer price are published; or, if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax.
- iv) Unquoted securities are valued by the relevant investment managers based on the Fund's share of the net assets or a single price advised by the Fund Manager, in accordance with generally accepted guidelines.
- v) Unit trusts are valued at the Managers' bid prices at 31st March.
- vi) Accrued interest is excluded from the market value of fixed interest securities but is included in accrued investment income.
- viii) Transaction costs are included in the cost of purchases and sales proceeds.
- ix) Investments held in foreign currencies have been translated into sterling values at the relevant rate ruling as at 31st March.
- x) Property Funds/Unit Trusts are valued at the bid market price, which is based upon regular independent valuation of the underlying property holdings of the Fund/Unit Trust.

e) Financial Instruments

Pension Fund assets have been assessed as fair value through profit and loss in line with IAS19.

f) Cash and Cash Funds

Cash comprises cash in hand and cash deposits. Cash funds are highly liquid investments held with Investment Managers.

g) Investment Income

Investment income and interest received are accounted for on an accruals basis. When an investment is valued ex dividend, the dividend is included in the Fund account. Distributions from pooled investment vehicles are automatically reinvested in the relevant fund.

CITY & COUNTY OF SWANSEA PENSION FUND

2. Accounting Policies (continued)

h) Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the net asset statement as 31 March 2016 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

- Actuarial present value of promised retirement benefits

i) Critical judgements in applying accounting policies

The funds liability is calculated every three years by the appointed actuary. The methodology used is in line with accepted guidelines and in accordance with IAS19. Assumptions underpinning the valuations are agreed with the actuary. The estimate is subject to significant variances based on changes to the underlying assumptions.

j) Other

Other expenses, assets and liabilities are accounted for on an accruals basis.

CITY & COUNTY OF SWANSEA PENSION FUND

3. Analysis of Contributions

Total Contributions		Total Contributions
2014/15 £'000		2015/16 £'000
<u>Administering Authority</u>		
44,048	City & County of Swansea	43,983
<u>Admitted Bodies</u>		
397	Celtic Community Leisure	378
12	Colin Laver Heating Limited	9
20	Swansea Bay Racial Equality Council	18
109	Wales National Pool	111
77	Capgemini	25
2,427	NPT Homes	2,614
1	Phoenix Trust	0
1,320	Grwp Gwalia	895
0	Rathbone Training Ltd (CCS)	23
0	Rathbone Training Ltd (Gower College)	36
4,363	Total Admitted Bodies	4,109
<u>Scheduled Bodies</u>		
7	Cilybebyll Community Council	7
17	Coedffranc Community Council	17
1,696	Gower College	1,662
1,764	NPTC Group	1,735
66	Neath Town Council	68
26,901	Neath Port Talbot County Borough Council	25,001
26	Margam Joint Crematorium Committee	27
5	Pelenna Community Council	5
15	Pontardawe Town Council	15
40	Swansea Bay Port Health Authority	40
1,558	University of Wales Trinity St Davids	1,723
32,095	Total Scheduled Bodies	30,300
80,506	Total Contributions Receivable	78,392

CITY & COUNTY OF SWANSEA PENSION FUND

3. Analysis of Contributions (continued)

Total Employer/Employee contributions comprise of:

2014/15		2015/16
£'000		£'000
Employers		
58,258	Normal	58,800
4	Other	0
5,385	Early Access	2,943
<u>63,647</u>	Total	<u>61,743</u>
Employees		
16,824	Normal	16,612
35	Other	37
<u>16,859</u>	Total	<u>16,649</u>
<u>80,506</u>	Total Contributions Receivable	<u>78,392</u>

CITY & COUNTY OF SWANSEA PENSION FUND

4. Transfers In

Transfers in comprise of:

2014/15		2015/16
£'000		£'000
1,060	Group transfers from other schemes *	65
1,688	Individual transfers from other schemes	2,386
<u>2,748</u>	Total	<u>2,451</u>

* Group Transfers from other schemes is in respect of Coleg Powys, who have merged with Neath Port Talbot College (a scheduled body within this Scheme) with effect from 1st August 2013, to form Neath Port Talbot College Group. A total of £10m was received in year as an interim payment, a debtor of £10k has been included in 15/16 which is an estimate of the outstanding balance.

5. Other Income

Other income comprise of:

2014/15		2015/16
£'000		£'000
82	Bank Interest	127
9	Early Access - Interest	-8
<u>91</u>	Total	<u>119</u>

6. Benefits Payable

By category

2014/15		2015/16
£'000		£'000
53,452	Pensions	56,555
19,106	Commutation and lump sum retirement benefits	14,165
1,354	Lump sum death benefits	2,192
<u>73,912</u>	Total	<u>72,912</u>

CITY & COUNTY OF SWANSEA PENSION FUND

7. Payments to and on account of leavers

Transfers out and refunds comprise of:

2014/15		2015/16
£'000		£'000
116	Refunds to members leaving service	127
<u>2,587</u>	Individual transfers to other schemes	<u>4,718</u>
<u>2,703</u>	Total	<u>4,845</u>

8. Administrative and Investment Management Expenses

All administrative and investment management expenses are borne by the Fund:

2014/15		2015/16
£'000		£'000
Administrative Expenses		
661	Support Services & Employee Costs	684
10	Actuarial Fees	18
43	Advisors Fees	43
48	External Audit Fees	50
26	Performance Monitoring Services Fees	26
24	Printing & Publications	30
175	Other	168
4	Pension Fund Committee	9
0	Pension Board	5
<u>991</u>		<u>1,033</u>
Investment Management Expenses		
4,335	* Management Fees	4,117
1,668	Performance Fees	437
121	Custody Fees	108
<u>6,124</u>		<u>4,662</u>
<u>7,115</u>	Total	<u>5,695</u>

* Investment Management Expenses has been restated to reflect an amendment to the 2014/15 fees.

CITY & COUNTY OF SWANSEA PENSION FUND

9. Investment Income

2014/15	2015/16
£'000	£'000
11,736 U.K. Equities	13,301
7,695 Overseas Equities	8,066
3,528 Managed Fund - Fixed Interest	3,909
1,434 Pooled Investment vehicles - Property Fund	936
48 Pooled Investment vehicles - Private Equity	0
0 Pooled Investment vehicles - Infrastructure	0
3 Interest	2
<u>24,444 Total</u>	<u>26,214</u>

The assets under management by Legal and General are managed wholly in a pooled investment vehicle. The pooled investment vehicles are a combination of equity, bond and money market unit funds which operate on an 'accumulation' basis, i.e. all dividends and investment income are automatically reinvested back into their relevant funds and not distributed as investment income. Therefore, the fund value and change in market value on these funds will reflect both capital appreciation / depreciation plus reinvested investment income.

10. Taxation

a) United Kingdom

The Fund is exempt from Income Tax on interest and dividends and from Capital Gains Tax but now has to bear the UK tax on other income. The fund is reimbursed V.A.T. by H.M. Revenue and Customs and the accounts are shown exclusive of V.A.T.

b) Overseas

The majority of investment income from overseas suffers a withholding tax in the country of origin.

CITY & COUNTY OF SWANSEA PENSION FUND

11. Investment Assets

	31st March 2015			31st March 2016		
	UK £'000	Overseas £'000	Total £'000	UK £'000	Overseas £'000	Total £'000
Equities						
Quoted	363,504	359,488	722,992	342,618	344,274	686,892
Pooled investment vehicles						
Managed Funds:						
Quoted:						
Equity	0	14,424	14,424	0	13,386	13,386
Fixed Interest	0	111,608	111,608	0	113,351	113,351
Unquoted:						
Equity	128,442	234,906	363,348	122,374	235,026	357,400
Fixed Interest	57,746	14,814	72,560	56,862	15,412	72,274
Index-linked	26,518	0	26,518	26,923	0	26,923
Property Unit Trust	5,661	0	5,661	13,204	0	13,204
Property Fund	35,184	34,555	69,739	34,956	36,524	71,480
Hedge Fund	0	51,522	51,522	0	48,494	48,494
Global Tactical Asset Allocation	0	15,426	15,426	0	0	0
Private Equity	0	31,162	31,162	0	42,428	42,428
Infrastructure	0	0	0	0	0	0
Total pooled investment vehicles	253,551	508,417	761,968	254,319	504,621	758,940
Total equities and pooled investment vehicles	617,055	867,905	1,484,960	596,937	848,895	1,445,832
Cash Funds			18,128			99
Cash			22,512			62,783
Other Investment Balances Due			2,527			3,137
Total			1,528,127			1,511,851

CITY & COUNTY OF SWANSEA PENSION FUND

11. Investment Assets (continued)

An analysis of investment assets based on the class of investment is shown below :

31st March 2015 £'000	Investment assets	31st March 2016 £'000
184,168	Fixed interest	185,625
26,518	Index linked securities	26,923
491,946	U.K. equities	464,992
608,818	Overseas Equities	592,686
75,400	Property	84,684
51,522	Hedge Funds	48,494
31,162	Private Equity	42,428
15,426	Global Tactical Asset Allocation (GTAA)	0
0	Infrastructure	0
<u>1,484,960</u>	Total investment assets	<u>1,445,832</u>

CITY & COUNTY OF SWANSEA PENSION FUND

12. Reconciliation of movements in investments

	Value at 31st March 2015	Purchases	Sales	Change in Market Value	Value at 31st March 2016
	£'000	£'000	£'000	£'000	£'000
Equities					
Aberdeen	109,174	19,294	-19,154	-9,039	100,275
JPM	268,745	175,546	-169,365	-12,386	262,540
Schroders	359,497	68,356	-56,347	-34,043	337,463
L&G	363,348	14,246	-12,870	-7,324	357,400
	<u>1,100,764</u>	<u>277,442</u>	<u>-257,736</u>	<u>-62,792</u>	<u>1,057,678</u>
Property UK					
Schroders	40,845	10,104	-3,163	374	48,160
Partners	23,399	1,518	-3,438	2,427	23,906
Invesco	11,156	0	-470	1,932	12,618
	<u>75,400</u>	<u>11,622</u>	<u>-7,071</u>	<u>4,733</u>	<u>84,684</u>
Fixed Interest					
Fixed Interest					
L&G	72,560	3,175	-6,558	3,097	72,274
Goldman	111,608	3,909	0	-2,166	113,351
	<u>184,168</u>	<u>7,084</u>	<u>-6,558</u>	<u>931</u>	<u>185,625</u>
Index-Linked					
L&G	26,518	140	-220	485	26,923
	<u>26,518</u>	<u>140</u>	<u>-220</u>	<u>485</u>	<u>26,923</u>
Hedge Funds					
BlackRock	26,630	0	-284	-613	25,733
Fauchier	24,892	0	-219	-1,912	22,761
	<u>51,522</u>	<u>0</u>	<u>-503</u>	<u>-2,525</u>	<u>48,494</u>
Private Equity					
HarbourVest	31,162	12,491	-7,414	6,189	42,428
	<u>31,162</u>	<u>12,491</u>	<u>-7,414</u>	<u>6,189</u>	<u>42,428</u>
Global Tactical Asset Allocation					
BlackRock	15,426	0	-14919	-507	0
	<u>15,426</u>	<u>0</u>	<u>-14919</u>	<u>-507</u>	<u>0</u>
Infrastructure					
Hastings	0	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash funds					
L&G	15,089	870	-16,021	62	0
Schroders	3,039	0	-5,480	2,540	99
	<u>18,128</u>	<u>870</u>	<u>-21,501</u>	<u>2,602</u>	<u>99</u>
Total	<u>1,503,088</u>	<u>309,649</u>	<u>-315,922</u>	<u>-50,884</u>	<u>1,445,931</u>
Cash	<u>22,512</u>				<u>62,783</u>
Other Investment Balances -					
Dividends Due	<u>2,527</u>				<u>3,137</u>
TOTAL	<u>1,528,127</u>			<u>-50,884</u>	<u>1,511,851</u>

CITY & COUNTY OF SWANSEA PENSION FUND

12. Reconciliation of movements in investments (continued)

Transaction costs are included in the cost of purchase and sales proceeds. Identifiable transaction costs incurred in the year relating to segregated investments amounted to £180k (2014/15: £233k). Costs are also incurred by the Fund in relation to transactions in pooled investment vehicles. Such costs are taken into account in calculating the bid/offer spread of these investments and are not separately identifiable.

13. Concentration of Investments

The following investments represented 5% or more of the Fund's net assets at 31st March 2016:

	Value as at the 31st March 2015 £'000	Proportion of Net Asset %	Value as at the 31st March 2016 £'000	Proportion of Net Asset %
L&G UK Equity Index	128,442	8.4	122,374	8.1
Goldman Sachs Global Libor Plus II	111,608	7.3	113,351	7.5
L&G North America Equity Index	96,721	6.3	108,446	7.2

14. Realised Profit on the Sale of Investments

2014/15 £'000	2015/16 £'000
12,266 U.K. Equities	-3,917
20,755 Overseas Equities	2,377
906 Property Fund	946
0 Cash Fund	11
<u>33,927</u> Net Profit	<u>-583</u>

15. Fixed Interest and Index Linked Investments

The fixed interest and index-linked investments are comprised of:

31st March 2015 £'000	31st March 2016 £'000
121,764 UK Public Sector	112,350
88,922 Other	100,198
<u>210,686</u>	<u>212,548</u>

CITY & COUNTY OF SWANSEA PENSION FUND

16. Current Assets and Liabilities

The amounts shown in the statement of Net Assets are comprised of:

31st March		31st March
2015		2016
£'000		£'000
Current Assets		
654	Contributions - Employees	603
2,167	Contributions - Employers	2,084
4,168	Early Access Contributions Debtor	2,143
10,349	Transfer Values	306
1,253	Other	1,456
<u>18,591</u>		<u>6,592</u>
Current Liabilities		
-956	Investment Management Expenses	-930
-3,428	Commutation and lump sum retirement benefits	-2,493
-436	Lump sum death benefits	-427
-530	Transfers to Other Schemes	-328
-577	Payroll Deductions - Tax	-602
-620	Payable Control List	-695
-382	Other	-339
<u>-6,929</u>		<u>-5,814</u>
<u>11,662 Net</u>		<u>778</u>

Analysed as:

31st March		31st March
2015		2016
£'000		£'000
Current Assets		
1,386	Central Government Bodies	573
16,105	Other Local Authorities	5,310
1,100	Other Entities and Individuals	709
<u>18,591</u>		<u>6,592</u>
Current Liabilities		
-33	Central Government Bodies	-48
-1,209	Other Local Authorities	-1,490
-5,687	Other Entities and Individuals	-4,276
<u>-6,929</u>		<u>-5,814</u>
<u>11,662 Net</u>		<u>778</u>

CITY & COUNTY OF SWANSEA PENSION FUND

16. Current Assets & Liabilities (continued)

Early Access Debtor

	Instalment Due 2016/17 £'000	Instalment Due 2017/18 £'000	Instalment Due 2018/19 £'000	Instalment Due 2019/20 £'000	Total £'000
Early Access Principal Debtor	2,226	90	21	0	2,337
Early Access Interest Debtor	7	7	2	0	16
Total (Gross)	2,233	97	23	0	2,353

17. Capital and Contractual Commitments

As at 31st March 2016 the Scheme was committed to providing funding to appointed managers investing in unquoted securities. These commitments amounted to £81.0m (2014/15 : £38.7m).

18. Statement of the Actuary for the year ended 31 March 2016

Introduction

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the City & County of Swansea Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2013 by Aon Hewitt Limited, in accordance with Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008.

Actuarial Position

1 The valuation as at 31 March 2013 showed that the funding ratio of the Fund had increased since the previous valuation with the market value of the Fund's assets at that date (of £1,227.6M) covering 81% of the liabilities in respect of service prior to the valuation date allowing, in the case of current contributors to the Fund, for future increases in pensionable pay.

2 The valuation also showed that the aggregate level of contributions required to be paid by participating employers with effect from 1 April 2014 was:

- 16.2% of pensionable pay. This was the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date.

Plus

- 5.7% of pensionable pay to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 25 years from 1 April 2014, if the membership remains broadly stable and pay increases are in line with the rate assumed at the valuation of 3.9% p.a.

3 In practice, each individual employer's position is assessed separately and contributions are set out in Aon Hewitt Limited's report dated 31 March 2014 (the "actuarial valuation report"). In addition to the contributions shown above, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

4 The funding plan adopted in assessing the contributions for each individual employer was in accordance with the Funding Strategy Statement in force at the time. The approach adopted, and the recovery period used for each employer, is set out in the actuarial valuation report.

5 The valuation was carried out using the projected unit actuarial method for most employers and the main actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

CITY & COUNTY OF SWANSEA PENSION FUND

18. Statement of the Actuary for the year ended 31 March 2016 (continued)

<u>Discount rate for periods in service</u>	
Scheduled and subsumption bodies	5.6% a year
Orphan bodies	5.2% p.a
<u>Discount rate for periods after leaving service</u>	
Scheduled and subsumption bodies	5.6%p.a.
Orphan bodies	3.9%p.a.
Rate of pay increases	3.9% p.a.
Rate of increases to pension accounts	2.4% p.a.
Rate of increase in pensions in payment (in excess of Guaranteed Minimum Pension)	2.4% p.a.

The assets were valued at market value.

Further details of the assumptions adopted for the valuation were set out in the actuarial valuation report.

6. The valuation results summarised above are based on the financial position and market levels at the valuation date, 31 March 2013. As such the results do not make allowance for changes which have occurred subsequent to the valuation date.

7. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2014 to 31 March 2017 were signed on 31 March 2014. Contribution rates will be reviewed at the next actuarial valuation of the Fund due as at 31 March 2016 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

The actuarial valuation of the Fund as at 31 March 2016 is currently underway and the Regulations require the formal report on the valuation and the Rates and Adjustments Certificate setting out employer contributions for the period from 1 April 2017 to 31 March 2020 to be signed off by 31 March 2017.

8. This Statement has been prepared by the current Actuary to the Fund, Aon Hewitt Limited, for inclusion in the accounts of the Fund. It provides a summary of the results of their actuarial valuation which was carried out as at 31 March 2013. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

This Statement must not be considered without reference to the formal actuarial valuation report which details fully the context and limitations of the actuarial valuation.

Aon Hewitt Limited does not accept any responsibility or liability to any party other than our client, the City and County of Swansea, the Administering Authority of the Fund, in respect of this Statement.

9. The report on the actuarial valuation as at 31 March 2013 is available from the Fund's website at the following address:

<http://www.swanseapensionfund.org.uk/wp-content/uploads/2012/01Swansea-valuation-report-310313.pdf>

Aon Hewitt Limited
June 2016

18. Actuarial Present Value of Promised Retirement Benefits - Statement of the Actuary for the year ended 31 March 2016 (continued)

CIPFA's Code of Practice also requires the actuarial present value of the promised retirement benefits to be disclosed based on IAS26 and using assumptions relevant to IAS19 and not the funding assumptions above. The actuarial present value of the promised retirement benefits on this basis as at 31st March 2013 is £1,936.8m (31st March 2010 £1,819.4m), which compares the market value of the assets at that date of £1,277.6m (31st March 2010 £1,016.8m).

Definitions

Admission Body

An employer admitted to the Fund under an admission agreement.

Orphan Body

This is an admission body or other employer whose participation in the Fund may cease at some future point in time, after which it is expected that the Administering Authority will have no access to future contributions in respect of the employer's liabilities in the Fund once any liability on cessation has been paid.

Scheduled Body

Employers which participate in the Fund under Schedule 2 of the Administration Regulations.

Subsumption and subsumption body

When an admission body or other employer ceases participation in the Fund, so that it has no employees contributing to the Fund and once any contribution on cessation as required by the regulations has been paid, the Fund will normally be unable to obtain further contributions from that employer (eg if future investment returns are less than assumed). It is however possible for another long term employer in the Fund (generally a scheduled body) to agree to be a source of future funding should any funding shortfalls emerge on the original employer's liabilities. The long term employer effectively subsumes the assets and liabilities of the ceasing employer into its own assets and liabilities. In this document this is known as subsumption. In this document the admission body or other employer being subsumed is referred to as a subsumption body and its liabilities are known as subsumed liabilities.

CITY & COUNTY OF SWANSEA PENSION FUND

18. Actuarial Present Value of Promised Retirement Benefits - Statement of the Actuary for the year ended 31 March 2016 (continued)

Certificate of the Actuary Regarding the Contributions Payable by the Employing Authorities in 2015/16

In accordance with Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 (the "Administration Regulations"), we certify that contributions should be paid by Employers at the following rates for the period 1st April 2014 to 31st March 2017.

- i) A common rate of 16.2% of Pensionable Pay.

- ii) Individual adjustments which, when added to or subtracted from the common rate, produce the following Employer contribution rates:

CITY & COUNTY OF SWANSEA PENSION FUND

18. Actuarial Present Value of Promised Retirement Benefits - Statement of the Actuary for the year ended 31 March 2016 (continued)

Employer	Year Commencing 1 April		
	2014 % Pensionable Pay	2015 % Pensionable Pay	2016 % Pensionable Pay
Scheduled bodies			
City & County of Swansea	22.4	22.4	22.4
Neath Port Talbot County Borough	22.5	23.0	24.0
Pontardawe Town Council	19.7	19.7	19.7
Cilybebyll Community Council	20.5	20.5	20.5
Pelenna Community Council	21.9	23.6	25.3
Swansea Bay Port Health Authority	22.4	22.4	22.4
Neath Port Talbot Homes	16.2	16.2	16.2
Grwp Gwalia Cyf	20.4	20.4	20.4
Colin Laver Heating Limited	19.7	19.7	19.7
Swansea Bay Racial Equality Council	27.2	30.8	34.3
Celtic Community Leisure	11.1	11.1	11.1
Wales National Pool	14.5	14.5	14.5
Cap Gemini	18.7	18.7	18.7

Employer	Contribution rate 1 April 2014 to 31 March 2017 % Pensionable Pay	Additional monetary amount Year commencing 1 April		
		2014 £	2015 £	2016 £
Scheduled bodies				
Margam Joint Crematorium Committee	19.2	4,600	4,800	5,000
Coedffranc Community Council	19.2	3,700	3,850	4,000
Neath Town Council	19.2	15,100	15,700	16,300
Gower College	15.4	164,400	170,800	177,500
NPTC Group	14.7	151,900	157,800	164,000
Admission bodies				
Trinity St Davids	22.4	225,000	450,000	481,000

The contributions shown above represent the minimum contributions to be paid by each Employer. Employers may choose to pay additional contributions from time to time subject to the Administering Authority's agreement.

Where payments due from an Employer are expressed as monetary amounts, the amounts payable by that Employer should be adjusted to take account of any amounts payable, in respect of surplus or shortfall to which those monetary payments relate, by new employers created after the valuation date which have been credited with proportions of the assets and liabilities of the relevant Employer. Any adjustment should be as advised by the Fund Actuary.

Additional contributions may be required in respect of any additional liabilities that arise under the provisions of Regulations 30, 31, 35 and 38 of the 2013 Regulations, payable over a period of up to three years and Employers will be notified of such contributions separately by the Administering Authority.

The contributions rates for the City & County of Swansea and for Neath Port Talbot County Borough Council have been set as a percentage of pay. However, minimum monetary contribution amounts for these employers have been agreed with the Administering Authority and if the contributions actually received fall below this minimum level additional payments will be required.

Contribution rates for Employers commencing participation in the Fund after 31 March 2013 will be advised separately.

19. Related party transactions

£684k (£661k 2014/15) was paid to the City & County of Swansea for the recharge of Administration, I.T., Finance and Legal Services during the year.

Contributions received from admitted and scheduled bodies as detailed on page 154.

The City & County of Swansea acts as administering Authority for the City and County of Swansea Pension Fund (formerly the West Glamorgan Pension Fund).

Transactions between the Authority and the Pension Fund mainly comprise the payment to the Pension Fund of employee and employer payroll superannuation deductions, together with payments in respect of enhanced pensions granted by Former Authorities.

The Pension Fund currently has 34 scheduled and admitted bodies. Management of the Pension Scheme Investment Fund is undertaken by a panel. The panel is advised by two independent advisors.

Governance

There are 7 councillor members of the pension committee who are active members in the City & County of Swansea Pension Fund. The benefit entitlement for the Councillors is accrued under the same principles that apply to all other members of the Fund.

CITY & COUNTY OF SWANSEA PENSION FUND

20. Additional Voluntary Contributions

Some members of the Fund pay voluntary contributions to the fund's AVC providers, The Prudential, to buy extra pension benefits when they retire. These contributions are invested in a wide range of assets to provide a return on the money invested. Some members also still invest and have funds invested with the legacy AVC providers, Equitable Life and Aegon.

The Pension Fund accounts do not include the assets held by The Prudential, Equitable Life or Aegon. AVCs are not included in the accounts in accordance with section 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only.

AVC Provider	Value of Funds at 1st April 2015	Purchases at Cost (Contributions In/Out)	Sale Proceeds	Change in Market Value	Value of Funds at 31st March 2016
	£'000	£'000	£'000	£'000	£'000
Prudential	3,217	1,653	-674	29	4,225
Aegon	1,351	51	-163	-15	1,224
Equitable Life	347	2	-58	5	296
Totals	4,915	1,706	-895	19	5,745

CITY & COUNTY OF SWANSEA PENSION FUND

21. Membership

The Pension Fund covers City & County of Swansea employees (except for teachers, for whom separate pension arrangements apply), and other bodies included in the schedule.

Detailed national regulations govern the rates of contribution by employees and employers, as well as benefits payable. At 31st March 2016 there were 17,469 contributors, 11,745 pensioners and 11,226 deferred pensioners.

Membership statistics	31st March 2012	31st March 2013	31st March 2014	31st March 2015	31st March 2016
	Number	Number	Number	Number	Number
Contributors	14,179	14,586	15,576	16,285	17,469
Pensioners	10,027	10,432	10,833	11,261	11,745
Deferred Pensioners	8,204	8,815	9,663	9,801	11,226
Total	32,410	33,833	36,072	37,347	40,440

See Appendix 1 for current year analysis

22. Fair Value of Investments

Financial Instruments

The Fund invests mainly through pooled vehicles with the exception of three segregated equity mandates. The managers of these pooled vehicles invest in a variety of financial instruments including bank deposits, quoted equity instruments, fixed interest securities, direct property holdings and unlisted equity and also monitor credit and counterparty risk, liquidity risk and market risk.

Financial Instruments - Gains & Losses

Gains and losses on financial instruments have been disclosed within note 9, 12 and 14 of the pension fund accounts.

Fair Value – Hierarchy

The fair value hierarchy introduced as part of the new accounting Code under IFRS7 requires categorisation of assets based upon 3 levels of asset valuation inputs -

- Level 1 - quoted prices for similar instruments.
- Level 2 - directly observable market inputs other than Level 1 inputs.
- Level 3 - inputs not based on observable market data.

The table on the following page shows the position of the Fund's assets at 31st March 2015 and 2016 based upon this hierarchy:

CITY & COUNTY OF SWANSEA PENSION FUND

22. Fair Value of Investments (continued)

FAIR VALUE - HIERARCHY

	31 March 2015			31 March 2016		
	Market Value £'000	Level 1 £'000	Level 2 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Equities						
UK Equities	383,504	383,504	-	342,818	-	-
Overseas Equities	358,488	358,488	-	344,274	-	-
Pooled Investment Vehicles						
Fixed-Interest Funds						
UK Equity	111,808	111,808	-	113,351	-	-
Overseas Equity	128,442	-	128,442	-	-	122,374
Fixed Interest	248,330	14,424	234,906	13,388	-	235,026
Index-linked	72,580	-	72,580	-	-	72,274
Property Unit Trust	28,518	-	28,518	-	-	28,823
Property Fund	5,881	-	5,881	-	-	13,204
Hedge Fund	88,738	-	88,738	-	-	71,480
Global Tactical Asset Allocation	51,522	-	51,522	-	-	48,484
Private Equity	15,428	-	15,428	-	-	42,828
Infrastructure	31,182	-	31,182	-	-	-
Cash	40,840	40,840	-	82,882	82,882	-
Other Investment Balances - Dividends Due	2,527	2,527	-	2,137	2,137	-
Total	1,528,127	882,191	-	1,511,851	879,648	632,203

23. INVESTMENT RISKS

As demonstrated above, the Fund maintains positions indirectly via its investment managers in a variety of financial instruments including bank deposits, quoted equity instruments, fixed interest securities, direct property holdings, unlisted equity products, commodity futures and other derivatives. This exposes the Fund to a variety of financial risks including credit and counterparty risk, liquidity risk, market risk and exchange rate risk.

Procedures for Managing Risk

The principal powers to invest are contained in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 and require an Administering Authority to invest any pension fund money that is not needed immediately to make payments from the Pension Fund. These regulations require the Pension Fund to formulate a policy for the investment of its fund money. The Administering Authority's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. The Pension Fund annually reviews its Statement of Investment Principles (SIP) and corresponding Funding Strategy Statement (FSS), which set out the Pension Fund's policy on matters such as the type of investments to be held, balance between types of investments, investment restrictions and the way risk is managed.

The Fund continues to review its structure. A key element in this review process is the consideration of risk and for many years now the Fund has pursued a policy of lowering risk by diversifying investments across asset classes, investment regions and fund managers. Furthermore, alternative assets are subject to their own diversification requirements and some examples are given below.

- Private equity - by stage, geography and vintage where funds of funds are not used
- Property - by type, risk profile, geography and vintage (on closed ended funds)
- Hedge funds – multi-strategy and or funds of funds

Manager Risk

The Fund is also well diversified by managers with no single active manager managing more than 25% of Fund assets. On appointment, fund managers are delegated the power to make such purchases and sales as they deem appropriate under the mandate concerned. Each mandate has a benchmark or target to outperform or achieve, usually on the basis of 3-year rolling periods. An update, at least quarterly, is required from each manager and regular meetings are held with managers to discuss their mandates and their performance on them. There are slightly different arrangements for some of the alternative assets. Some private equity and property investment is fund, rather than manager-specific, with specific funds identified by the investment sub group after careful due diligence. These commitments tend to be smaller in nature than main asset class investments but again regular performance reports are received and such investments are reviewed with managers at least once a year.

23. INVESTMENT RISKS (continued)

Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. As noted above almost all the Fund's investments are through pooled vehicles and a number of these are involved in derivative trades of various sorts including futures, swaps and options. Whilst the Fund is not a direct counterparty to such trades and so has no direct credit risk, clearly all derivative transactions incorporate a degree of risk and the value of the pooled vehicle, and hence the Fund's holding, could be impacted negatively by failure of one of the vehicle's counterparties. However, part of the operational due diligence carried out on potential manager appointees concerns itself with the quality of that manager's risk processes around counterparties and seeks to establish assurance that these are such as to minimise exposure to credit risk.

There has been no historical experience of default on the investments held by the Pension Fund.

Within the Fund, the areas of focus in terms of credit risk are bonds and some of the alternative asset categories.

- The Fund's active fixed-interest bond portfolio £113,351k is managed (by Goldman Sachs) on an unconstrained basis and has a significant exposure to credit, emerging market debt and loans. At 31st March 2016, the Fund's exposure to non-investment grade paper was 9.6% of the actively managed fixed income portfolio.
- On private equity the Fund's investments are almost entirely in the equity of the companies concerned. The Fund's private equity investments of £42,428K are managed by Harbourvest in a fund of funds portfolio.

On hedge fund of funds and multi-strategy vehicles, underlying managers have in place a broad range of derivatives. The Fund's exposure to hedge funds through its managers at 31st March 2016 is set out below with their relative exposure to credit risk.

	March 2016 £'000	Credit Exposure
Permal	22,761	15.3%
Blackrock	25,733	23.2%

The Pension Fund has its own bank accounts. At its simplest, liquidity risk is the risk that the Fund will not be able to meet its financial obligations when they fall due, especially pension payments to its members. At a strategic level the Administering Authority, together with its consulting actuary, reviews the position of the Fund triennially to ensure that all its obligations can be suitably covered.

CITY & COUNTY OF SWANSEA PENSION FUND

23. INVESTMENT RISKS (continued)

Ongoing cash flow planning in respect of contributions, benefit payments, investment income and capital calls/distributions is also essential. This is in place with the Fund's position updated regularly.

Specifically on investments, the Fund holds through its managers a mixture of liquid, semi-liquid and illiquid assets. Whilst the Fund's investment managers have substantial discretionary powers regarding their individual portfolios and the management of their cash positions, they hold within their pooled vehicles a large value of very liquid securities, such as equities and bonds quoted on major stock exchanges, which can easily be realised. Traditional equities and bonds now comprise 84.1% of the Fund's value and, whilst there will be some slightly less liquid elements within this figure (emerging market equities and debt for example), the funds investing in these securities offer monthly trading at least – often weekly or fortnightly.

On alternative assets the position is more mixed. Most are subject to their own liquidity terms or, in the case of property, redemption rules. Closed-ended funds such as most private equity vehicles and some property funds are effectively illiquid for the specific period (usually 10 years), although they can be sold on the secondary market, usually at a discount.

The table below analyses the value of the Fund's investments at 31st March 2016 by liquidity profile.

	Amounts at				
	31st March	Within 1	1-3	4-12	> 1 Year
	2016	month	months	months	> 1 Year
	£000s	£000s	£000s	£000s	£000s
Equities					
UK Equities	342,618	342,618	0	0	0
Overseas Equities	344,274	344,274	0	0	0
Pooled Investment Vehicles					
Fixed-Interest Funds	113,351	113,351	0	0	0
UK Equity	122,374	122,374	0	0	0
Overseas Equity	248,412	248,412	0	0	0
Fixed Interest	72,274	72,274	0	0	0
Index-linked	26,923	26,923	0	0	0
Property Unit Trust	13,204	0	0	13,204	0
Property Fund	71,480	0	0	34,956	36,524
Hedge Fund	48,494	0	0	48,494	0
Global Tactical Asset Allocation	0	0	0	0	0
Private Equity	42,428	0	0	0	42,428
Infrastructure	0	0	0	0	0
Deposits with banks and other financial institutions	62,882	62,882	0	0	0
Other Investment Balances - Dividends Due	3,137	3,137	0	0	0
Total	1,511,851	1,336,245	0	96,654	78,952

23. INVESTMENT RISKS (continued)

It should be noted that different quoted investments are subject to different settlement rules but all payments/receipts are usually due within 7 days of the transaction (buy/sell) date. Because the Fund uses some pooled vehicles for quoted investments these are often subject to daily, weekly, 2-weekly or monthly trading dates. All such investments have been designated "within 1 month" for the purposes of liquidity analysis. Open-ended property funds are subject to redemption rules set by their management boards. Many have quarterly redemptions but these can be held back in difficult markets so as not to force sales and disadvantage continuing investors. For liquidity analysis purposes, a conservative approach has been applied and all such investments have been designated "within 4-12 months".

Closed-ended funds have been designated illiquid for the purposes of liquidity analysis. However, these closed-ended vehicles have a very different cash flow pattern to traditional investments since the monies committed are only drawn down as the underlying investments are made (usually over a period of 5 years) and distributions are returned as soon as underlying investments are exited (often as early as year 4). In terms of cash flow, therefore, the net cash flow for such a vehicle usually only reaches a maximum of about 60-70% of the amount committed and cumulative distributions usually exceed cumulative draw downs well before the end of the specified period, as these vehicles regularly return 1½ to 2½ times the money invested. At the same time, it has been the Fund's practice to invest monies on a regular annual basis so the vintage year of active vehicles ranges from 2000 to 2013.

This means that, whilst all these monies have been designated closed-ended and thereby illiquid on the basis of their usual "10-year life", many are closer to maturity than implied by this broad designation. As can be seen from the table, even using the conservative basis outlined above, around 88% of the portfolio is realisable within 1 month and 95% is realisable within 12 months.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial institution will fluctuate because of changes in market price. The Fund is exposed to the risk of financial loss from a change in the value of its investments and the consequential danger that its assets will fail to deliver returns in line with the anticipated returns underpinning the valuation of its liabilities over the long term.

- The risks associated with volatility in the performance of the asset class itself (beta);
- The risks associated with the ability of managers, where allowed, to move away from index weights and to generate alpha, thereby offsetting beta risks by exceeding market performance.

The table on the following page sets out an analysis of the Fund's market risk positions at 31 March 2015 by showing the percentage invested in each asset class and through each manager within each main asset class, the index used as a benchmark and the target set for managers against this benchmark.

CITY & COUNTY OF SWANSEA PENSION FUND

23. INVESTMENT RISKS (continued)

Asset Class	Asset Allocation	Fund Manager		Benchmark	Performance target
		Passive	Active		
UK Equities	34% +/- 5%	14% L&G	20% Schroders	FTSE allshare	+3% p.a. over rolling 3 year
Overseas Equities	34% +/- 5%	13% L&G	21% JP Morgan & Aberdeen Aberdeen	MSCI World all share (ex UK) MSCI Frontier Markets Index	+3% p.a. over rolling 3year +% p.a. over rolling 3year
Global Fixed Interest	15% +/- 5%	6% L&G	9% Goldman Sachs	Libor	LIBOR +3%
Property	5% +/- 5%	-	5% Schroders, Partners & Invesco	IPD UK Pooled Property Fund Index	+1% p.a. over rolling 3 year, 8% absolute return
Hedge Funds	5% +/- 5%	-	5% Blackrock & Permal (formerly Fauchier)	LIBOR	+4%
Private Equity	3% +/- 5%	-	3% Harbourvest	FTSE allshare	+3% p.a. over 3 year rolling
Infrastructure	2% +/- 5%	-	2% Hastings	10% per Annum Absolute	10% per Annum Absolute
Cash	2% +/- 5%	-	2% In house and cash flows of fund managers	7day LIBiD	=
TOTAL	100%	33%	67%		

The risks associated with volatility in market values are managed mainly through a policy of broad asset diversification. The Fund sets restrictions on the type of investment it can hold through investment limits, in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. The Fund also adopts a specific strategic benchmark (details can be found in the Fund's SIP summarised above) and the weightings of the various asset classes within the benchmark form the basis for asset allocation within the Fund. Under normal conditions there is quarterly rebalancing to this strategic benchmark within fixed tolerances. This allocation, determined through the Fund's asset allocation, is designed to diversify and minimise risk. Market risk is also managed through manager diversification – constructing a diversified portfolio across multiple investment managers. On a daily basis, managers will manage risk in line with the benchmarks, targets and risk parameters set for the mandate, as well as their own policies and processes. The Fund itself monitors managers on a regular basis (at least quarterly) on all these aspects.

Due to volatility in the equity markets, there was an imbalance of 0.24% over allocation to overseas equities as at 31st March 2016.

Permanent rebalancing will be considered in light of market reversion and inherent cost of rebalancing.

CITY & COUNTY OF SWANSEA PENSION FUND

23. INVESTMENT RISKS (continued)

Price Risk

Price Risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The fund is exposed to share and derivative price risk. This arises from investments held by the fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short is unlimited.

Following analysis of historical data and expected investment return movement during the financial year, and in consultation with the fund's investment advisors, the council has determined that the following movements in market price risk are reasonably possible. Had the market price of the fund investments increased/decreased in line with the potential market movements, the change in the net assets available to pay benefits in the market price as at 31 March 2016 would have been as follows:

Price Risk

Asset Type	Value (£'000)	% Change	Value on Increase	Value on Decrease
UK Equities	464,992	10.86%	515,490	414,494
Overseas Equities	592,686	9.91%	651,421	533,951
Total Bonds & Index-Linked	212,548	2.63%	218,138	206,958
Cash	62,882	0.01%	62,888	62,876
Property	84,684	3.22%	87,411	81,957
Alternatives	90,922	4.12%	94,668	87,176
Other Investment Balances	3,137	0.00%	3,137	3,137
Total Assets*	1,511,851	6.96%	1,617,034	1,406,668

*The % change for Total Assets includes the impact of correlation across asset classes

and as at 31st March 2015 :

Price Risk

Asset Type	Value (£)	% Change	Value on Increase	Value on Decrease
UK Equities	491,946	10.52%	543,699	440,193
Overseas Equities	608,818	9.35%	665,742	551,894
Bonds & Index-Linked	210,686	2.67%	216,311	205,061
Cash	40,640	0.01%	40,644	40,636
Property	75,400	3.00%	77,652	73,138
Alternatives	98,110	4.06%	102,093	94,127
Other Investment Balances	2,527	0.00%	2,527	2,527
Total Assets	1,528,127	6.61%	1,629,595	1,426,659

The % change for Total Assets includes the impact of correlation across asset classes

CITY & COUNTY OF SWANSEA PENSION FUND

23. INVESTMENT RISKS (continued)

Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the fund (£UK). The fund holds both monetary and non-monetary assets denominated in currencies other than £UK.

In consultation with the fund's investment advisors, the council has determined that the following movements in currencies are reasonably possible. The following represents a sensitivity analysis associated with foreign exchange movements as at 31 March 2016:

Currency Risk (by currency)

Currency	Value (£'000)	% Change	Value on Increase	Value on Decrease
Australian Dollar	5,656	9.26%	6,180	5,132
Brazilian Real	4,458	13.89%	5,077	3,839
Canadian Dollar	8,749	7.89%	9,439	8,059
Danish Krone	2,059	6.83%	2,242	1,956
EURO	90,569	6.77%	96,701	84,437
Hong Kong Dollar	9,619	7.67%	10,357	8,891
Indian Rupee	3,315	10.28%	3,656	2,974
Indonesian Rupiah	1,841	12.46%	2,070	1,612
Israeli Shekel	2,644	6.58%	2,818	2,470
Japanese Yen	50,706	11.68%	56,628	44,784
Mexican Peso	3,050	8.25%	3,302	2,798
Norwegian Krone	1,003	9.40%	1,097	909
Chinese Renminbi Yuan	9,001	7.68%	9,692	8,310
Peruvian New Sol	208	7.44%	223	193
Russian Rouble	4,391	21.00%	5,313	3,469
Singapore Dollar	4,546	6.17%	4,826	4,266
South African Rand	2,620	10.31%	2,890	2,350
South Korean Won	9,431	7.22%	10,112	8,750
Swedish Krona	3,645	7.65%	3,924	3,366
Swiss Franc	18,804	9.95%	20,675	16,933
Taiwan Dollar	5,266	6.59%	5,613	4,919
Thai Baht	799	8.39%	866	732
Turkish Lira	776	10.78%	860	692
US Dollar	204,139	7.78%	220,021	188,257
North America Basket	108,446	7.43%	116,504	100,388
Europe ex UK Basket	50,577	6.46%	53,844	47,310
Asia Pacific ex Japan Basket	21,610	6.52%	23,019	20,201
Emerging Basket	43,069	6.79%	45,993	40,145
Total Currency^a	671,637	6.14%	712,876	630,398

^aThe % change for Total Currency includes the impact of correlation across the underlying currencies

CITY & COUNTY OF SWANSEA PENSION FUND

23. INVESTMENT RISKS (continued)

and as at 31 March 2015:

Currency	Value (£'000)	% Change	Value on Increase	Value on Decrease
Australian Dollar	4,585	8.87	4,992	4,178
Brazilian Real	4,706	11.69	5,256	4,156
Canadian Dollar	10,030	6.65	10,697	9,363
Chinese Renminbi Yuan	10,870	7.91	11,730	10,010
Danish Krone	1,608	6.19	1,707	1,509
EURO	93,099	6.15	98,824	87,374
Hong Kong Dollar	7,953	7.74	8,569	7,337
Indian Rupee	5,092	10.78	5,641	4,543
Indonesian Rupiah	2,688	11.65	3,001	2,375
Israeli Shekel	832	7.35	893	771
Japanese Yen	55,482	11.02	61,599	49,365
Mexican Peso	2,717	9.42	2,973	2,461
Norwegian Krone	640	8.64	695	585
Peruvian New Sol	798	6.97	854	742
Singapore Dollar	4,864	5.89	5,151	4,577
South African Rand	1,899	10.72	2,103	1,695
South Korean Won	6,927	6.62	7,385	6,469
Swedish Krona	7,672	7.30	8,232	7,112
Swiss Franc	21,024	9.34	22,988	19,060
Taiwan Dollar	5,201	6.62	5,545	4,857
Thai Baht	674	8.08	728	620
Turkish Lira	586	9.85	644	528
US Dollar	196,965	7.78	212,292	181,638
North America Basket	96,721	7.41	103,891	89,551
Europe ex UK Basket	53,891	5.66	56,939	50,843
Asia Pacific ex Japan Basket	22,034	6.44	23,453	20,625
Emerging Basket	52,894	6.80	56,489	49,299
Total Currency[†]	672,452	5.81	711,488	633,416

[†] The % change for Total Currency includes the impact of correlation across the underlying currencies

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Actuary, as part of their triennial valuation and dictated by the Funding Strategy Statement, will only anticipate long-term return on a relatively prudent basis to reduce risk of under-performing. Progress is analysed at three yearly valuations for all employers.

24. Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified :

- those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events.
- those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of those events and their estimated financial effect.

There are no known events that would have a material impact on these accounts.

25. Further Information

Further information about the fund can be found in Appendices 2 to 4. Information can also be obtained from the Chief Treasury & Technical Officer, Civic Centre, Oystermouth Road, Swansea SA1 3SN or on www.swanseapensionfund.org.uk.

26. Financial Position

The accounts outlined within the statement represent the financial position of the City and County of Swansea Pension Fund at 31st March 2016.

CITY & COUNTY OF SWANSEA PENSION FUND

Appendix 1

SCHEDULE OF EMPLOYING BODIES AND CONTRIBUTION RATES FOR THE PERIOD 1ST APRIL 2015 TO 31ST MARCH 2016

Contributors	Pensioners	Deferred Benefits	Employer Contribution Rate (% of Pensionable Pay) plus additional annual monetary amount	
Administering Authority	Number @ 31/03/16	Number @ 31/03/16	Number @ 31/03/16	
City & County of Swansea	10,224	4,988	5,194	22.4%
Scheduled Bodies				
Neath Port Talbot County Borough	5,118	3,449	4,319	23.0%
Briton Ferry Town Council	0	1	1	-
Cilybebyll Community Council	7	0	1	20.5%
Clydach Community Council	0	0	1	-
Coedffranc Community Council	3	3	1	19.2% (+ £3,850)
Gower College	392	226	414	15.4% (+ £170,800)
Lliw Valley BC	0	246	23	-
Margam Joint Crematorium Committee	7	12	5	19.2% (+ £4,800)
NPTC Group	491	227	380	14.7% (+ £157,800)
Neath Port Talbot Waste Management Co. Ltd.	0	1	0	-
Neath Town Council	13	15	8	19.2% (+ £15,700)
Pelenna Community Council	2	2	3	23.6%
Pontardawe Town Council	5	1	0	19.7%
Swansea Bay Port Health Authority	2	10	1	22.4%
Swansea City Waste Disposal Company	0	18	3	-
University of Wales Trinity St Davids	202	125	206	22.4% (+ £450,000)
West Glamorgan County Council	0	2,236	284	-
West Glamorgan Magistrates Courts	0	38	16	-
West Glamorgan Probation Service	0	0	0	-
West Glamorgan Valuation Panel	0	5	0	-
Admitted Bodies				
BABTIE	0	3	12	-
Celtic Community Leisure	281	28	140	11.1%
Colin Laver Heating Limited	0	2	2	19.7%
Swansea Bay Racial Equality Council	1	0	2	30.8%
The Careers Business	0	4	11	-
Wales National Pool	47	3	63	14.5%
West Wales Arts Association	0	2	0	-
Capgemini	0	1	4	18.7%
NPT Homes	473	46	59	16.2%
Phoenix Trust	0	1	4	-
Grwp Gwalia	195	52	67	20.4%
Rathbone CCS	2	0	2	25.2%
Rathbone Gower College	4	0	0	28.9%
Total	17,469	11,745	11,226	

Legislative Changes in the Local Government Pension Scheme (LGPS) during 2015/16

There were no new statutory instruments laid before Parliament in relation to the LGPS in 2015/16.

Department of Communities and Local Government Consultation

The Department of Communities and Local Government have undertaken a number of consultation exercises during the year including :

- Amendments to Investment Management Regulations
- Criteria to satisfy when pooling LGPS assets as part of LGPS reform.
- DCLG are still considering the large number of responses in respect of the former consultation exercise, whilst final submissions in respect of the latter exercise are due to be submitted on July 15th 2016.

Investment Fund Management

The investment of the Fund is the responsibility of the Pension Fund Committee. The Committee as at 31st March 2016 comprised of :

- 7 Council Members (one member from Neath Port Talbot CBC representing other scheme members) advised by:
 - Section 151 Officer
 - Chief Treasury & Technical Officer
 - 2 Independent Advisers.

The Committee, after taking account of the views of the independent advisers and appointed actuary to the Fund, is responsible for determining broad investment strategy and policy, with appointed professional fund managers undertaking the operational management of the assets.

The fund has implemented a fully diversified investment approach with a view to reducing the volatility of investment returns, whilst maintaining above benchmark growth. The fund employs the services of specialist managers to outperform in each asset class invested in.

The investment managers currently are:

- Global Equities - JP Morgan Asset Management, L&G and Aberdeen Asset Management
- Global Bonds - Goldman Sachs Asset Management and L&G
- Fund of Hedge Funds - BlackRock and Fauchier Partners
- Fund of Private Equity Funds - Harbourvest
- Property - Invesco
- Fund of Property Funds - Partners Group and Schroders Investment Management
- Infrastructure - Hastings Funds Management (UK) Ltd

Other Fund Documents

The City & County of Swansea Pension Fund is required by regulation to formulate a number of regulatory documents outlining its policy. Copies of the :

- Statement of Investment Principles
- Governance Statement
- Funding Strategy Statement
- Communication Policy

are available on request from the City & County of Swansea Pension Fund website
<http://www.swanseapensionfund.org.uk/>

Report of the Section 151 Officer

Pension Fund Committee – 15 September 2016

CLIMATE CHANGE AND A CARBON INVESTMENT POLICY

Purpose:	To formulate a carbon investment policy.
Reason for Decision:	To approve the commission of a study into the impact of carbon investment/disinvestment on the portfolio.
Consultation:	Legal, and Finance.
Recommendation(s):	It is recommended that a formal analysis of the impact of carbon investment/disinvestment on the portfolio is commissioned to assist in the formulation of a carbon policy for the City & County of Swansea Pension Fund.
Report Author:	Jeff Dong Chief Treasury & Technical Officer
Finance Officer:	Mike Hawes Section 151 Officer
Legal Officer:	Stephanie Williams
Access to Services Officer:	N/A

1 Background

- 1.1 Following the COP meeting in Paris climate change is increasingly in the public eye, as governments around the world look to put in place a legally binding agreement to minimise global warming. The City & County of Swansea Pension Fund routinely receives lobbying from interested parties about its investment policy and strategy, including Friends of the Earth (Cymru) on the climate change debate which are considered objectively alongside the pension fund's duty to pay LGPS pensions.
- 1.2 This Fund recognises that climate change is a key risk, which we are working hard to understand and manage.
- 1.3 The fund also continues to work with the Local Authority Pension Fund Forum to engage directly with companies on climate change, and to push for greater disclosure and transparency around companies' business models.
- 1.4 The fund also continues to make investments in clean tech and renewable energy via its private equity portfolio, where we can find investments that provide appropriate risk adjusted returns net of costs.

- 1.5 In exercising their duties, the Pension Fund Committee must remember their first duty is to pay member's pensions when they retire and that disinvestment from carbon assets without alternatives which provide commensurate returns would create economic uncertainty and would be irresponsible to begin a programme of disinvestment which impacted on the fund's ability to pay people's pensions.

2 Climate Change

- 2.1 Developing a responsible investment strategy for an asset owner often requires monitoring and analysing market trends, and trends amongst key players in the capital markets, both in the UK and around the world.
- 2.2 Perhaps on no other issue is this intelligence gathering process more important than on the controversial agenda of climate change.
- 2.3 As more and more data and analytics appear around the climate change agenda, the volume of rhetoric has been steadily increasing. With national newspapers taking sides in the debate about what is actually happening to the world's climate, it wasn't long before asset owners, particularly pension funds, had to respond.
- 2.4 The climate agenda for pension funds, whilst not new, was in sharp contrast to the usual focus on issues such as equity and fixed income performance, market prices across a range of assets from property to commodities, strong asset manager performance and weak investment returns in volatile markets. But beyond the rhetorical argument, the issue of what pension funds can actually do about climate risks was a relatively unexplored area, with little practical advice around on which to base portfolio construction and investment strategy more generally.

3 Carbon Assets

- 3.1 Expert analysis has shown that the coal, oil and gas in the ground far exceeds the carbon budget remaining to 2050 to have a reasonable chance of limiting global warming to 2 degrees. This scientific conclusion has been confirmed by the IEA, Shell, BP and UCL, amongst others. However many of these companies have not yet explained how they can square the contradiction between recognising the imperative to prevent dangerous levels of climate change, and having a strategy to grow a business based on fossil fuels.
- 3.2 The direction of travel is for further constraints on fossil fuel demand – through greater efficiency, air quality measures, cheaper alternatives, new technologies, as well as regulatory and policy instruments aimed specifically at carbon. A year ago most models assumed Chinese coal demand would continue to grow, yet the data for 2014 and the first half of 2015 shows that it has peaked. The Indian government is seeking to improve domestic coal efficiency and increase solar generation to cease importing coal. This demonstrates that the seaborne coal market is in structural decline, with diversified miners confirming the poor outlook by trying to offload thermal coal

assets.

- 3.3 This represents a downside from business as usual for fossil fuels. This is unlikely to affect demand across fuels and geographies equally – hence we have produced carbon supply cost curves for each of oil, coal, and gas, with regional analysis for coal and gas markets. The majority of fossil fuel production is used for combustion purposes resulting in greenhouse gas emissions. This is our focus – hence we use the term unburnable carbon, ie hydrocarbons which cannot be burnt unmitigated within a low carbon scenario.
- 3.4 The feedback effect of lower demand and emissions is that less capital expenditure is required to develop new fossil fuel production. This also reduces the long-term equilibrium prices required to cover the costs of marginal production. As a result of lower prices and volumes, projected revenues for the extractives sector fall. Capex approved now will not be producing until post-2020, which could be a very different environment. It therefore makes sense to review high cost, high carbon capex which may not be needed in a low carbon, low demand scenario.
- 3.5 A number of companies have indicated they are betting on business as usual, giving very little probability to any further efforts to constrain emissions, and not allowing for alternatives becoming cheaper all the time. The energy transformation has already started, as evidenced by the decline of the US coal mining sector, (currently filing for bankruptcy), and the EU utilities sector, (currently looking to restructure around new business models). There are already examples of stranded assets – coal mines which are operating at a loss, and power plants which are not likely to repay their capital costs. This is not about declaring assets as worthless – but highlighting that shareholders are not going to get a return from the capital companies are investing on their behalf.
- 3.6 To run through each fuel in turn, it becomes clear that this is not about a blanket approach to reviewing hydrocarbon exposure. The world will not stop using fossil fuels overnight, and there will be winners and losers depending on their position and fund managers (expectedly) argue that engagement with energy companies to invest more efficiently is the answer rather than wholesale disinvestment.

4 Conclusion

- 4.1 It should be recognised there is no easy answer to climate change and adopting an appropriate carbon investment policy, therefore it is recommended to commission an analysis of the current portfolio's carbon impact with a view to formulating a coherent carbon investment policy.

5 Legal Implications

- 5.1 There are no legal implications arising from this report.

6 Financial Implications

6.1 The cost of the study will be contained within estimated budget.

7 Equality Impact Assessment Implications

7.1 None.

Background papers: None.

Appendices: None.

Report of the Deputy Head of Legal & Democratic Services

Pension Fund Committee – 15 September 2016

EXCLUSION OF THE PUBLIC

Purpose:	To consider whether the Public should be excluded from the following items of business.	
Policy Framework:	None.	
Reason for Decision:	To comply with legislation.	
Consultation:	Legal.	
Recommendation(s):	It is recommended that:	
1)	The public be excluded from the meeting during consideration of the following item(s) of business on the grounds that it / they involve(s) the likely disclosure of exempt information as set out in the Paragraphs listed below of Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007 subject to the Public Interest Test (where appropriate) being applied.	
	Item No's.	Relevant Paragraphs in Schedule 12A
	7-10	14
Report Author:	Democratic Services	
Finance Officer:	Not Applicable	
Legal Officer:	Tracey Meredith – Deputy Head of Legal & Democratic Services (Deputy Monitoring Officer)	

1. Introduction

- 1.1 Section 100A (4) of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007, allows a Principal Council to pass a resolution excluding the public from a meeting during an item of business.
- 1.2 Such a resolution is dependant on whether it is likely, in view of the nature of the business to be transacted or the nature of the proceedings that if members of the public were present during that item there would be disclosure to them of exempt information, as defined in section 100I of the Local Government Act 1972.

2. Exclusion of the Public / Public Interest Test

- 2.1 In order to comply with the above mentioned legislation, Cabinet will be requested to exclude the public from the meeting during consideration of the item(s) of business identified in the recommendation(s) to the report on the grounds that it / they involve(s) the likely disclosure of exempt information as set out in the Exclusion Paragraphs of Schedule 12A of the Local Government

Act 1972 as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007.

- 2.2 Information which falls within paragraphs 12 to 15, 17 and 18 of Schedule 12A of the Local Government Act 1972 as amended is exempt information if and so long as in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.
- 2.3 The specific Exclusion Paragraphs and the Public Interest Tests to be applied are listed in **Appendix A**.
- 2.4 Where paragraph 16 of the Schedule 12A applies there is no public interest test. Councillors are able to consider whether they wish to waive their legal privilege in the information, however, given that this may place the Council in a position of risk, it is not something that should be done as a matter of routine.

3. Financial Implications

- 3.1 There are no financial implications associated with this report.

4. Legal Implications

- 4.1 The legislative provisions are set out in the report.
- 4.2 Councillors must consider with regard to each item of business set out in paragraph 2 of this report the following matters:
 - 4.2.1 Whether in relation to that item of business the information is capable of being exempt information, because it falls into one of the paragraphs set out in Schedule 12A of the Local Government Act 1972 as amended and reproduced in Appendix A to this report.
 - 4.2.2 If the information does fall within one or more of paragraphs 12 to 15, 17 and 18 of Schedule 12A of the Local Government Act 1972 as amended, the public interest test as set out in paragraph 2.2 of this report.
 - 4.2.3 If the information falls within paragraph 16 of Schedule 12A of the Local Government Act 1972 in considering whether to exclude the public members are not required to apply the public interest test but must consider whether they wish to waive their privilege in relation to that item for any reason.

Background Papers: None.

Appendices: Appendix A – Public Interest Test.

Public Interest Test

No.	Relevant Paragraphs in Schedule 12A
12	Information relating to a particular individual.
	<p>The Proper Officer (Monitoring Officer) has determined in preparing this report that paragraph 12 should apply. His view on the public interest test was that to make this information public would disclose personal data relating to an individual in contravention of the principles of the Data Protection Act. Because of this and since there did not appear to be an overwhelming public interest in requiring the disclosure of personal data he felt that the public interest in maintaining the exemption outweighs the public interest in disclosing the information. Members are asked to consider this factor when determining the public interest test, which they must decide when considering excluding the public from this part of the meeting.</p>
13	Information which is likely to reveal the identity of an individual.
	<p>The Proper Officer (Monitoring Officer) has determined in preparing this report that paragraph 13 should apply. His view on the public interest test was that the individual involved was entitled to privacy and that there was no overriding public interest which required the disclosure of the individual's identity. On that basis he felt that the public interest in maintaining the exemption outweighs the public interest in disclosing the information. Members are asked to consider this factor when determining the public interest test, which they must decide when considering excluding the public from this part of the meeting.</p>
14	Information relating to the financial or business affairs of any particular person (including the authority holding that information).
	<p>The Proper Officer (Monitoring Officer) has determined in preparing this report that paragraph 14 should apply. His view on the public interest test was that:</p> <p>a) Whilst he was mindful of the need to ensure the transparency and accountability of public authority for decisions taken by them in relation to the spending of public money, the right of a third party to the privacy of their financial / business affairs outweighed the need for that information to be made public; or</p> <p>b) Disclosure of the information would give an unfair advantage to tenderers for commercial contracts.</p> <p>This information is not affected by any other statutory provision which requires the information to be publicly registered.</p> <p>On that basis he felt that the public interest in maintaining the exemption outweighs the public interest in disclosing the information. Members are asked to consider this factor when determining the public interest test, which they must decide when considering excluding the public from this part of the meeting.</p>

No.	Relevant Paragraphs in Schedule 12A
15	<p>Information relating to any consultations or negotiations, or contemplated consultations or negotiations, in connection with any labour relations matter arising between the authority or a Minister of the Crown and employees of, or office holders under, the authority.</p>
	<p>The Proper Officer (Monitoring Officer) has determined in preparing this report that paragraph 15 should apply. His view on the public interest test was that whilst he is mindful of the need to ensure that transparency and accountability of public authority for decisions taken by them he was satisfied that in this case disclosure of the information would prejudice the discussion in relation to labour relations to the disadvantage of the authority and inhabitants of its area. On that basis he felt that the public interest in maintaining the exemption outweighs the public interest in disclosing the information. Members are asked to consider this factor when determining the public interest test, which they must decide when considering excluding the public from this part of the meeting.</p>
16	<p>Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.</p>
	<p>No public interest test.</p>
17	<p>Information which reveals that the authority proposes: (a) To give under any enactment a notice under or by virtue of which requirements are imposed on a person; or (b) To make an order or direction under any enactment.</p>
	<p>The Proper Officer (Monitoring Officer) has determined in preparing this report that paragraph 17 should apply. His view on the public interest test was that the authority's statutory powers could be rendered ineffective or less effective were there to be advanced knowledge of its intention/the proper exercise of the Council's statutory power could be prejudiced by the public discussion or speculation on the matter to the detriment of the authority and the inhabitants of its area. On that basis he felt that the public interest in maintaining the exemption outweighs the public interest in disclosing the information. Members are asked to consider this factor when determining the public interest test, which they must decide when considering excluding the public from this part of the meeting.</p>
18	<p>Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime</p>
	<p>The Proper Officer (Monitoring Officer) has determined in preparing this report that paragraph 18 should apply. His view on the public interest test was that the authority's statutory powers could be rendered ineffective or less effective were there to be advanced knowledge of its intention/the proper exercise of the Council's statutory power could be prejudiced by public discussion or speculation on the matter to the detriment of the authority and the inhabitants of its area. On that basis he felt that the public interest in maintaining the exemption outweighs the public interest in disclosing the information. Members are asked to consider this factor when determining the public interest test, which they must decide when considering excluding the public from this part of the meeting.</p>

By virtue of paragraph(s) 14 of Schedule 12A
of the Local Government Act 1972
as amended by the Local Government (Access to
Information) (Variation) (Wales) Order 2007.

Document is Restricted

Agenda Item 8

By virtue of paragraph(s) 14 of Schedule 12A
of the Local Government Act 1972
as amended by the Local Government (Access to
Information) (Variation) (Wales) Order 2007.

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By virtue of paragraph(s) 14 of Schedule 12A
of the Local Government Act 1972
as amended by the Local Government (Access to
Information) (Variation) (Wales) Order 2007.

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By virtue of paragraph(s) 14 of Schedule 12A
of the Local Government Act 1972
as amended by the Local Government (Access to
Information) (Variation) (Wales) Order 2007.

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Agenda Item 9

By virtue of paragraph(s) 14 of Schedule 12A
of the Local Government Act 1972
as amended by the Local Government (Access to
Information) (Variation) (Wales) Order 2007.

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