**Dinas a Sir Abertawe**

**Hysbysiad o Gyfarfod**

Fe'ch gwahoddir i gyfarfod

# Pwyllgor Cronfa Bensiwn

**Lleoliad:** **Cyfarfod Aml-Leoliad - Ystafell Gloucester, Neuadd y Ddinas / MS Teams**

**Dyddiad:** **Dydd Mercher, 15 Tachwedd 2023**

**Amser:** **10.00 am**

**Cadeirydd:** **Y Cynghorydd Mike Lewis**

**Aelodaeth:**
Cynghorwyr: P N Bentu, J P Curtice, P Downing, M W Locke a/ac W G Thomas

Aelod Cyfetholedig o Gyngor Castell-nedd Port Talbot: Philip Rogers

Ymgynghorwyr: Nick Jellema, Philip Pearson a/ac Andre Ranchin

**Gwylio ar-lein:** **http://tiny.cc/PF1511**

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## Agenda

| | | Rhif y Dudalen. |
|---|---|---|
| **1** | **Ymddiheuriadau am absenoldeb.** | |
| **2** | **Datgeliadau o fuddiannau personol a rhagfarnol.**<br>www.abertawe.gov.uk/DatgeluCysylltiadau | |
| **3** | **Cofnodion.**<br>Cymeradwyo a llofnodi, fel cofnod cywir, gofnodion y cyfarfod(ydd) blaenorol. | **1 - 4** |
| **4** | **Adroddiad yr Archwilydd Allanol, Archwilio Cymru.** | |
| a | Cynllun Archwilio Manwl - Cyngor a Sir Abertawe. | **5 - 22** |
| b | Adroddiad SRA 260 - Cronfa Bensiwn Dinas a Sir Abertawe. | **23 - 38** |
| **5** | **Adroddiad Swyddog Adran 151:** | |
| a | Cronfa Bensiwn Dinas a Sir Abertawe - Adroddiad Blynyddol a Datganiad o Gyfrifon 2022/23. | **39 - 297** |
| b | Adroddiad Blynyddol Partneriaeth Pensiwn Cymru 2022/2023. (Er Gwybodaeth) | **298 - 332** |
| c | Adroddiad am doriadau. (Er gwybodaeth) | **333 - 349** |
| **6** | **Gwahardd y Cyhoedd.** | **350 - 353** |

| | | |
|---|---|---|
| **7** | **Adroddiad Swyddog Adran 151:** | |
| a | Y Diweddaraf am roi'r Strategaeth Buddsoddi ar waith. | **354 - 388** |
| b | Adroddiad(au) diweddaru (Er Gwybodaeth) | **389 - 408** |
| **8** | **Adroddiad(au) yr Ymgynghorwyr Annibynnol.** | |
| a | Adroddiad Monitro Buddsoddiadau Chwarterol. (Er Gwybodaeth) | **409 - 430** |
| b | Adolygiad o'r Strategaeth Buddsoddi. | **431 - 468** |
| c | Cynllun y daith at Sero Net. | **469 - 501** |
| **9** | **Crynodeb Buddsoddi. (Er gwybodaeth)** | **502 - 503** |
| **10** | **Cyflwyniad Rheolwr y Gronfa:**<br>Russell Investments. | |

**Cyfarfod nesaf:** Dydd Mercher, 6 Mawrth 2024 am 10.00 am

**Huw Evans**
**Pennaeth y Gwasanaethau Democrataidd**
**Dydd Iau, 9 Tachwedd 2023**

**Cyswllt: Democratice Services: - 636923**

Agenda Item 3

City and County of Swansea

# Minutes of the Pension Fund Committee

**Multi-Location Meeting - Gloucester Room, Guildhall / MS Teams**

**Wednesday, 6 September 2023 at 10.00 am**

**Present**: M B Lewis (Chair) Presided

| **Councillor(s)** | **Councillor(s)** | **Councillor(s)** |
|---|---|---|
| P N Bentu | J P Curtice | M W Locke |

**Neath Port Talbot Council Co-opted Member(s)**
Philip Rogers

**Advisors**

| | |
|---|---|
| Phil Pearson | Advisor – Hymans Robertson |
| Andre Ranchin | Advisor – Hymans Robertson |

**Officer(s)**

| | |
|---|---|
| Karen Cobb | Investment & Accounting Manager |
| Jeffrey Dong | Deputy Chief Finance Officer / Deputy Section 151 Officer. |
| Carolyn Isaac | Lawyer |
| Samantha Woon | Democratic Services Officer |

**Also present**

| | |
|---|---|
| Leanne Malough | Audit Wales |
| Ian Guy | Chair of the Local Pension Board |

**Apologies for Absence**
Councillor(s): P Downing and W G Thomas

---

## 16 Disclosures of Personal and Prejudicial Interests.

In accordance with the Code of Conduct adopted by the City & County of Swansea, the following interests were disclosed:

Councillors P N Bentu, J P Curtice, M B Lewis and P Rogers declared personal interests in the agenda as a whole.

Ian Guy declared a personal interest in the agenda as a whole.

Officers:

K Cobb, J Dong, C Isaac and S Woon declared personal interests in the agenda as a whole.

## 17 Minutes.

**Resolved** that the Minutes of the Pension Fund Committee meeting held on 13 July 2023 be signed and approved as a correct record.

## 18 City & County of Swansea Pension Fund - Draft Annual Report and Statement of Accounts 2022/23.

The Deputy Chief Finance Officer / Deputy Section 151 Officer provided for approval the draft annual report & statement of accounts for the City & County of Swansea Pension Fund 2022/23.

Officers had presented a completed draft annual report & statement of accounts 2022/23 to Audit Wales to commence their audit. Audit Wales have commenced their audit of the Pension Fund Draft Annual Report & Statement of Accounts 2022/23. Their subsequent ISA report with audit opinion and audit findings would be presented to Pension Fund Committee at the conclusion of the audit in November 2023 alongside their delayed audit plan.

The City & County of Swansea Pension Fund Draft Annual Report & Statement of Accounts 2022/23 were attached at Appendix 1.

The Deputy Chief Finance Officer / Deputy Section 151 Officer commented upon Swansea being ranked as number 1 in the league table of investment returns for the 3 years to 31/3/23 and have been shortlisted as LGPS Fund of the Year. Staff within the Finance Department were thanked and congratulated for their work and commitment.

**Resolved** that the City & County of Swansea Pension Fund Draft Annual Report & Statement of Accounts 2022/23 be approved, subject to audit.

## 19 Breaches Report. (For Information)

The Deputy Chief Finance Officer / Deputy S151 Officer presented a 'for information' report which presented any breaches which had occurred in the period in accordance with the Reporting Breaches Policy.

Appendix A provided the details of breaches that had occurred since the previous Pension Fund Committee in July 2023. The details of the breaches and the actions taken by Management were noted.

## 20 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 involved 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)**

## 21 Internal Control Assurance Reports Review. (For Information)

The Deputy Chief Finance Officer / Deputy S151 Officer presented a 'for information' report of reportable items contained within the internal control assurance reports of appointed fund managers / custodians.

The Chair asked a question of the Deputy Chief Finance Officer / Deputy S151 Officer who responded accordingly.

## 22 Wales Pension Partnership - Progress Update.

The Deputy Chief Finance Officer / Deputy S151 Officer presented a report to update the Pension Fund Committee on the progress and work of the Wales Pension Partnership (WPP).

**Resolved** that:

1) The JGC Quarterly and Annual Update (Appendix 1 and 2) be noted.
2) The Link Operator Update (Appendix 3) be noted.
3) The Recommended Evaluation Criteria for WPP Operator Procurement in Appendix 4 be approved.

## 23 Report(s) of the Investment Consultant. (For Information)

The Investment Consultants, Mr Philip Pearson and Andre Ranchin presented the 'for information' quarterly investment and market update to the fund, Carbon foot-printing exercise progress and an education piece on the forthcoming asset liability modelling review and investment strategy review.

Questions in relation to the content of the presentation were asked by the Committee and responses were provided accordingly.

## 24 Investment Summary. (For Information)

The Deputy Chief Finance Officer / Deputy S151 Officer presented a 'for information' report which presented the asset valuation and investment performance for the quarter, year and 3 years ended 30 June 2023.

## 25 Fund Manager's Presentation(s):

A presentation was made by and Aidan Quinn of Russell Investments.

Questions in relation to the content of the presentation were asked by the Committee and responses were provided accordingly.

The content of the presentation was noted and the Chair thanked the Fund Manager for attending the meeting.

The meeting ended at 12.28 pm

**Chair**

Agenda Item 4a

# City and County of Swansea Pension Fund – Audit Plan 2023

Audit year: 2022-23

Date issued: September 2023

Document reference: 3838A2023

This document has been prepared as part of work performed in accordance with statutory functions. Further information can be found in our Statement of Responsibilities.

Audit Wales is the non-statutory collective name for the Auditor General for Wales and the Wales Audit Office, which are separate legal entities each with their own legal functions as described above. Audit Wales is not a legal entity and itself does not have any functions.

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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, the Wales Audit Office and, where applicable, the appointed auditor are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at infoofficer@audit.wales.

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

This document is also available in Welsh.

# About Audit Wales

## Our aims and ambitions

**Assure**

the people of Wales that public money is well managed

**Explain**

how public money is being used to meet people's needs

**Inspire**

and empower the Welsh public sector to improve

Fully exploit our unique perspective, expertise and depth of insight

Strengthen our position as an authoritative, trusted and independent voice

Increase our visibility, influence and relevance

Be a model organisation for the public sector in Wales and beyond

# Contents

# Introduction

This Audit Plan specifies my statutory responsibilities as your external auditor and to fulfil my obligations under the Code of Audit Practice.

It sets out the work my team intends undertaking to address the audit risks identified and other key areas of focus during 2023.

It also sets out my estimated audit fee, details of my audit team and key dates for delivering my audit team's activities and planned outputs.

**Adrian Crompton**
Auditor General for Wales

# Audit of financial statements

I am required to certify whether City and County of Swansea Pension Fund's (the Pension Fund) financial statements are 'true and fair'. The audit work I undertake to fulfil my responsibilities responds to my assessment of risks. This allows us to develop an audit approach which focuses on addressing specific risks whilst providing assurance for the Pension Fund financial statements as a whole.

I also have responsibility to receive questions and objections to the financial statements from local electors (additional fees will be charged for this work, if necessary).

I do not seek to obtain absolute assurance on the truth and fairness of the financial statements and related notes but adopt a concept of materiality. My aim is to identify material misstatements, that is, those that might result in a reader of the accounts being misled. The levels at which I judge such misstatements to be material is set out later in this plan.

I will also report by exception on a number of matters which are set out in more detail in our Statement of Responsibilities.

There have been no limitations imposed on me in planning the scope of this audit.

# Your audit at a glance

**My financial statements audit will concentrate on your risks and other areas of focus**

My audit planning has identified the following risks:

Significant financial statement risk:
- Management override of controls

Other areas of audit focus
- Valuation of private equity investments

**Materiality**

| | |
|---|---|
| Materiality | £29.1 million |
| Reporting threshold | £1.5 million |

# Financial statements materiality

**Materiality £29.1 million**

My aim is to identify and correct material misstatements, that is, those that might other cause the user of the accounts into being misled.

Materiality is calculated using:

- Draft 2022-23 2021-22 gross assets of £2,910 million
- Materiality percentage of 1%

I report to those charged with governance any misstatements above a trivial level (set at 5% of materiality).

**Areas of specific interest**

There are some areas of the accounts that may be of more importance to the user of the accounts and we have set a lower materiality level for these:

- Key management personnel disclosures £1,000
- Related party disclosures £10,000 (Individuals)

# Significant financial statements risks

Significant risks are identified risks of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum of inherent risk or those which are to be treated as a significant risk in accordance with the requirements of other ISAs. The ISAs require us to focus more attention on these significant risks.

**Exhibit 1: significant financial statement risks**

| Significant risk | Our planned response |
|---|---|
| **Management override of controls**<br>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 240.32-33]. | The audit team will:<br>• assess the design and implementation of controls over journal entry processing;<br>• test the appropriateness of journal entries and other adjustments made in preparing the financial statements;<br>• review accounting estimates for bias; and<br>• evaluate the rationale for any significant transactions outside the normal course of business. |

# Other areas of focus

I set out other identified risks of material misstatement which, whilst not determined to be significant risks as above, I would like to bring to your attention.

**Exhibit 2: other areas of focus**

| Audit risk | Our planned response |
|---|---|
| **Valuation of private equity investments**<br>Year-end valuation of private equity investments is provided by investment managers which is based upon forward-looking estimates and judgements and industry guidelines. As there is no quoted market process, there is a greater risk for the reasonableness of valuation bases of these investments. | The audit team will:<br>• confirm the investment valuation to audited financial statements; and<br>• seek additional assurance over the valuation basis from control assurance reports. |

# Financial statements audit timetable

I set out below key dates for delivery of my accounts audit work and planned outputs.

**Exhibit 3: key dates for delivery of planned outputs**

| Planned output | Work undertaken | Report finalised |
|---|---|---|
| 2023 Outline Audit Plan | March 2023 | April 2023 |
| 2023 Detailed Audit Plan | August - September 2023 | September 2023 |
| Audit of financial statements work:<br>• Audit of Financial Statements Report<br>• Opinion on the Financial Statements | August - November 2023 | November 2023 |

# Statutory audit functions

## Statutory audit functions

In addition to the audit of the accounts, I have statutory responsibilities to receive questions and objections to the accounts from local electors. These responsibilities are set out in the Public Audit (Wales) Act 2004:

- Section 30 Inspection of documents and questions at audit; and
- Section 31 Right to make objections at audit.

As this work is reactive, I have made no allowance in the estimated audit fee. If I do receive questions or objections, I will discuss potential audit fees at the time.

# Fee and audit team

In January 2023 I published the fee scheme for the 2023-24 year as approved by the Senedd Finance Committee. My fee rates for 2023-24 have increased by 4.8% for inflationary pressures. In addition, my financial audit fee has a further increase of 10.2% for the impact of the revised auditing standard ISA 315 on my financial audit approach. More details of the revised auditing standard and what it means for the audit I undertake is set out in **Appendix 1**.

I estimate your total audit fee will be £50,701 (2022 £44,125)[1].

Planning will be ongoing, and changes to my programme of audit work, and therefore my fee, may be required if any key new risks emerge. I shall make no changes without first discussing them with the Pension Fund.

**Our financial audit fee is based on the following assumptions:**

- The agreed audit deliverables sets out the expected working paper requirements to support the financial statements and includes timescales and responsibilities.
- No matters of significance, other than as summarised in this plan, are identified during the audit.

The main members of my team, together with their contact details, are summarised in **Exhibit 5**.

**Exhibit 5: my local audit team**

| Name | Role | Contact number | E-mail address |
|---|---|---|---|
| Derwyn Owen | Engagement Director | 02920 320 651 | Derwyn.Owen@audit.wales |
| Gillian Gillett | Audit Manager | 02920 829 305 | Gillian.Gillett@audit.wales |
| Leanne Malough | Audit Lead | 02920 320 687 | Leanne.Malough@audit.wales |

[1] The audit fee is exclusive of VAT, which is not charged to you.

I can confirm that my team members are all independent of the Pension Fund and your officers.

# Audit quality

Our commitment to audit quality in Audit Wales is absolute. We believe that audit quality is about getting things right first time.

We use a three lines of assurance model to demonstrate how we achieve this. We have established an Audit Quality Committee to co-ordinate and oversee those arrangements. We subject our work to independent scrutiny by QAD* and our Chair, acts as a link to our Board on audit quality. For more information see our Audit Quality Report 2022.

### Our People

The first line of assurance is formed by our staff and management who are individually and collectively responsible for achieving the standards of audit quality to which we aspire.

- Selection of right team
- Use of specialists
- Supervisions and review

### Arrangements for achieving audit quality

The second line of assurance is formed by the policies, tools, learning & development, guidance, and leadership we provide to our staff to support them in achieving those standards of audit quality.

- Audit platform
- Ethics
- Guidance
- Culture
- Learning and development
- Leadership
- Technical support

### Independent assurance

The third line of assurance is formed by those activities that provide independent assurance over the effectiveness of the first two lines of assurance.

- EQCRs
- Themed reviews
- Cold reviews
- Root cause analysis
- Peer review
- Audit Quality Committee
- External monitoring

* QAD is the quality monitoring arm of ICAEW.

• External monitoring

* QAD is the quality monitoring arm of ICAEW.

# Appendix 1

## The key changes to ISA315 and the potential impact on your organisation

| Key change | Potential impact on your organisation |
|---|---|
| **More detailed and extensive risk identification and assessment procedures** | Your finance team and others in your organisation may receive a greater number of enquiries from our audit teams at the planning stage of the audit. Requests for information may include:<br>• information on your organisation's business model and how it integrates the use of information technology (IT);<br>• information about your organisation's risk assessment process and how your organisation monitors the system of internal control;<br>• more detailed information on how transactions are initiated, recorded, processed, and reported. This may include access to supporting documentation such as policy and procedure manuals; and<br>• more detailed discussions with your organisation to support the audit team's assessment of inherent risk. |
| **Obtaining an enhanced understanding of your organisation's environment, particularly in relation to IT** | Your organisation may receive more enquiries to assist the audit team in understanding the IT environment. This may include information on:<br>• IT applications relevant to financial reporting;<br>• the supporting IT infrastructure (e.g. the network, databases);<br>• IT processes (e.g. managing program changes, IT operations); and<br>• the IT personnel involved in the IT processes.<br>Audit teams may need to test the general IT controls and this may require obtaining more detailed audit evidence on the operation of IT controls within your organisation.<br>On some audits, our audit teams may involve IT audit specialists to assist with their work. Our IT auditors may need to engage with members of your IT team who have not previously been involved in the audit process. |

| Key change | Potential impact on your organisation |
|---|---|
| **Enhanced requirements relating to exercising professional scepticism** | Our audit teams may make additional inquiries if they identify information which appears to contradict what they have already learned in the audit. |
| **Risk assessments are scalable depending on the nature and complexity of the audited body** | The audit team's expectations regarding the formality of your organisation's policies, procedures, processes, and systems will depend on the complexity of your organisation. |
| **Audit teams may make greater use of technology in the performance of their audit** | Our audit teams may make use of automated tools and techniques such as data analytics when performing their audit. Our teams may request different information or information in a different format from previous audits so that they can perform their audit procedures. |

Through our Good Practice work we share emerging practice and insights from our audit work in support of our objectives to assure, to explain and to inspire.

Our newsletter provides you with regular updates on our public service audit work, good practice and events, which can be tailored to your preferences.

For more information about our Good Practice work click here.

Sign up to our newsletter here.

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We welcome correspondence and telephone calls in Welsh and English.
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.

Agenda Item 4b

Archwilio Cymru
Audit Wales

# Audit of Accounts Report – City & County of Swansea Pension Fund

Audit year: 2022-23

Date issued: November 2023

Document reference: 3901A2023

# Contents

We intend to issue an unqualified audit report on your Accounts. There are no issues to report to you prior to their approval.

# Audit of Accounts Report

## Introduction

1 We summarise the main findings from our audit of your 2022-23 accounts in this report.

2 We have already discussed these issues with the Director of Finance and his team.

3 Auditors can never give complete assurance that accounts are correctly stated. Instead, we work to a level of 'materiality'. This level of materiality is set to try to identify and correct misstatements that might otherwise cause a user of the accounts into being misled.

4 We set this level at £29.1 million for this year's audit.

5 There are some areas of the accounts that may be of more importance to the reader and we have set a lower materiality level for these, as follows:

- Key management personnel disclosures - £1,000
- Related party disclosures - £10,000

6 We have now substantially completed this year's audit.

7 In our professional view, we have complied with the ethical standards that apply to our work; remain independent of yourselves; and our objectivity has not been compromised in any way. There are no relationships between ourselves and yourselves that we believe could undermine our objectivity and independence.

## Proposed audit opinion

8 We intend to issue an unqualified audit opinion on this year's accounts once you have provided us with a Letter of Representation based on that set out in **Appendix 1**. The Letter of Representation contains certain confirmations we are required to obtain from you under auditing standards.

9 We issue a 'qualified' audit opinion where we have material concerns about some aspects of your accounts; otherwise we issue an unqualified opinion.

10 Our proposed audit report is set out in **Appendix 2**.

## Significant issues arising from the audit

### Uncorrected misstatements

11 There are no misstatements identified in the accounts, which remain uncorrected.

## Corrected misstatements

12 There were a limited number of misstatements in the accounts that have now been corrected by management. The amendments were minor and of a presentational nature and had no impact on the net expenditure or net assets of the pension fund.

## Other significant issues arising from the audit

13 In the course of the audit, we consider a number of matters relating to the accounts and report any significant issues arising to you. There were no issues arising in these areas this year.

# Recommendations

14 During our 2021-22 audit, we identified one other issue which resulted in a recommendation being reported in our 2021-22 Audit of Accounts report. We have followed up on the implementation of this recommendation and note that it has been implemented as set out in **Appendix 3**. We have not identified any further recommendations for the pension fund during the course of our 2022-23 audit

# Appendix 1

## Final Letter of Representation

**City & County of Swansea Pension Fund letterhead**

Auditor General for Wales
Wales Audit Office
1 Capital Quarter
Tyndall Street Cardiff
CF10 4BZ

15 November 2023

## Representations regarding the 2022-23 financial statements

This letter is provided in connection with your audit of the financial statements of the City & County of Swansea Pension Fund for the year ended 31 March 2023 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

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 CIPFA Code of Practice on Local Authority Accounting in the UK 2022-223; 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.
- 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 City & County of Swansea 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.
- 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.

The methods, the data and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

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. There are no uncorrected misstatements in the financial statements.

## Representations by those charged with governance

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 Pension Fund Committee on 15 November 2023.

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.

| | |
|---|---|
| Signed by: | Signed by: |
| Director of Finance (S151 Officer) | Chair of the Pension Fund Committee |
| Date: 15 November 2023 | Date: 15 November 2023 |

# Appendix 2

## Proposed Audit Report

### The report of the Auditor General for Wales to the members of the City & County of Swansea as administering authority for the City & County of Swansea Pension Fund

### Opinion on financial statements

I have audited the financial statements of the City & County of Swansea Pension Fund for the year ended 31 March 2023 under the Public Audit (Wales) Act 2004.

The City & County of Swansea Pension Fund's financial statements comprise the fund account, the net assets statement and the related notes, including the significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23.

In my opinion, in all material respects, the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2023, and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year; and
- have been properly prepared in accordance with legislative requirements and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23.

### Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report.

My staff and I are independent of the pension fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Conclusions relating to going concern

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the pension fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the responsible financial officer with respect to going concern are described in the relevant sections of this report.

## Other information

The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. The Responsible Financial Officer is responsible for the other information contained within the annual report. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon. My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

## Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the annual report for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the Local Government Pension Scheme Regulations 2013.

## Matters on which I report by exception

In the light of the knowledge and understanding of the pension fund and its environment obtained in the course of the audit, I have not identified material misstatements in the annual report.

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

- I have not received all the information and explanations I require for my audit;
- adequate accounting records have not been kept, or returns adequate for my audit have not been received from branches not visited by my team; or
- the financial statements are not in agreement with the accounting records and returns.

## Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the financial statements set out on page X, the responsible financial officer is responsible for:

- the preparation of the financial statements, which give a true and fair view;
- maintaining proper accounting records;
- internal controls as the responsible financial officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- assessing the City & County of Swansea Pension Fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the responsible financial officer anticipates that the services provided by the City & County of Swansea Pension Fund will not continue to be provided in the future.

## Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit the financial statements in accordance with the Public Audit (Wales) Act 2004.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- Enquiring of management, the administering authority's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the City & County of Swansea's policies and procedures concerned with:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.

- Considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the posting of unusual journals and biases in accounting estimates.
- Obtaining an understanding of City & County of Swansea Pension Fund's framework of authority as well as other legal and regulatory frameworks that [name of pension fund] operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of City & County of Swansea Pension Fund; and
- Obtaining an understanding of related party relationships.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, those charged with governance about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance, the Pension Fund Committee and the administering authority; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the City & County of Swansea Pension Fund's controls, and the nature, timing and extent of the audit procedures performed.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

## Other auditor's responsibilities

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

## Certificate of completion of audit

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

| | |
|---|---|
| Adrian Crompton | 1 Capital Quarter |
| Auditor General for Wales | Tyndall Street |
| November 2023 | Cardiff, CF10 4BZ |

# Appendix 3

## Follow up of prior year recommendations

We identified the following issue during the audit of the 2021-22 financial statements. We have followed up on the implementation of the agreed recommendation and note that it has been completed.

**Exhibit 1: matter arising 1**

| **Matter arising 1 – controls assurance reports** | |
|---|---|
| **Findings** | The Pension Fund does not regularly obtain and review control assurance reports (type 2) for its investment managers. It has also not considered what alternative assurances should be sought for investments held with investment managers where these reports are not produced.<br>These reports are also not presented to the Pension Fund Committee and therefore there is no opportunity for the outcomes of these reports to receive appropriate scrutiny. |
| **Priority** | Good practice |
| **Recommendation** | The Pension Fund should strengthen its arrangements for assuring itself that there are appropriate controls over its investments by:<br>• obtaining and reviewing controls assurance reports for all investment managers;<br>• considering how it can assure itself that there are appropriate controls in place where controls assurance reports are not available; and<br>• providing assurances to the Pension Fund Committee that there are appropriate controls over its investments. |
| **Benefits of implementing the recommendation** | Both management and those charged with governance would obtain further assurance that the controls in place at each investment manager are robust. |

| | |
|---|---|
| **Accepted in full by management** | Yes |
| **Management response** | Management currently relies on investment partners on reporting issues arising by exception. As identified by Audit Wales, there were no issues to report to The Pension Fund Committee.<br>In recognition of Audit Wales recommendation, officers shall review type 2 reports and noting volume of reports shall report issues to The Pension Fund Committee by exception. |
| **Implementation date** | 2022/23 |
| **Progress to implementation** | **Complete**<br>Improvements have been made to processes and systems during the year to ensure that assurances have been obtained from each investment manager. These have been reported to the Pension Fund Committee.<br><br>The Pension Fund should continue to ensure that these assurances are gathered and reported to the Pension Committee on an annual basis going forward. |

Archwilio Cymru
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We welcome correspondence and telephone calls in Welsh and English.
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.

# Agenda Item 5a

Cyngor **Abertawe**
**Swansea** Council

**Report of the Section 151 Officer**

**Pension Fund Committee – 15 November 2023**

# City & County of Swansea Pension Fund Annual Report & Statement of Accounts 2022/23

| | |
|---|---|
| **Purpose:** | To approve the annual report & statement of accounts for the City & County of Swansea Pension Fund 2022/23 |
| **Reason for Decision:** | To comply with governance/reporting guidelines. |
| **Consultation:** | Legal, Finance and Access to Services. |
| **Recommendation:** | It is recommended that the City & County of Swansea Pension Fund Annual Report & Statement of Accounts 2022/23 is approved. |
| **Report Author:** | J Dong |
| **Finance Officer:** | J Dong |
| **Legal Officer:** | S Williams |
| **Access to Services Officer:** | R Millar |

**City & County of Swansea Pension Fund Annual Report & Statement of Accounts 2022/23**

## 1 Background

1.1 In line with regulation, the Administering Authority produces an Annual Report and Statement of Accounts. The final audited version of the same is attached at Appendix 1.

## 2 Audit

2.1 Officers were presented with a draft annual report & statement of accounts 2022/23 at Pension Committee in July 2023. These draft accounts have been subject to audit during the intervening months. The attached report at Appendix 1 is the final audited version, which was the subject of the ISA 260 report with accompanying audit opinion and audit findings presented by Audit Wales earlier at this meeting.

**3 Legal Implications**

3.1 There are no legal implications arising from this report.

**4 Financial Implications**

4.1 There are no financial implications arising from this report.

**5 Integrated Impact Assessment Implications**

5.1 The Council is subject to the Equality Act (Public Sector Equality Duty and the socio-economic duty), the Well-being of Future Generations (Wales) Act 2015 and the Welsh Language (Wales) Measure, and must in the exercise of their functions, have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Acts.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.
- Deliver better outcomes for those people who experience socio-economic disadvantage.
- Consider opportunities for people to use the Welsh language.
- Treat the Welsh language no less favourably than English.
- Ensure that the needs of the present are met without compromising the ability of future generations to their own needs.

5.2 The Well-being of Future Generations (Wales) Act 2015 mandates that public bodies in Wales must carry out sustainable development. Sustainable development means the process of improving the economic, social, environmental and cultural well-being of Wales by taking action, in accordance with the sustainable development principle, aimed at achieving the 'well-being goals'.

Our Integrated Impact Assessment (IIA) process ensures we have paid due regard to the above. It also takes into account other key issues and priorities, such as poverty and social exclusion, community cohesion, carers, the United Nations Convention on the Rights of the Child (UNCRC) and Welsh language.

5.3 There are no equality impact implications arising from this report.

**Background Papers:** None.

**Appendices:** Appendix 1 – Annual Report & Statement of Accounts 2022/23.

## Introduction

The purpose of the Annual Report is to provide information for contributors and other interested parties on the management and administration of the Pension Fund during the year.

The report for 2022/23 includes the accounts for the year, an outline of the City & County of Swansea Pension Fund together with details of membership and changes to basic scheme details that have either taken place during the year or are proposed for the future. In addition, the report includes the Actuarial Statement applicable for the year and a report on Investments and Investment performance for the year.

The accounts included in the report have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2022/23* which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The key statistics for the Fund are illustrated in the three year profile of the Fund on page 3.

## Three Year Profile of Statistics of the Fund

| | 2020/21<br>£'000 | 2021/22<br>£'000 | 2022/23<br>£'000 |
|---|---|---|---|
| **Income** | | | |
| Contributions (Net) | 102,012 | 107,528 | 119,581 |
| Transfer Values (Net) | - | 3,740 | - |
| **Expenditure** | | | |
| Pensions and Benefits (Net) | 84,379 | 89,892 | 94,392 |
| Transfer Values (Net) | 842 | - | 51 |
| Other (Net) | 13,577 | 16,670 | 14,341 |
| **Net new money** | 2,854 | 4,706 | 10,797 |
| | **£'000** | **£'000** | **£'000** |
| **Net Asset Value at 31 March** | 2,614,455 | 2,924,232 | 2,905,758 |
| **Number of Contributors at 31 March** | 20,388 | 21,424 | 22,699 |
| **Number of Pensioners at 31 March** | 13,864 | 14,294 | 14,737 |
| **Number of Deferred Members at 31 March** | 11,829 | 12,263 | 12,390 |

# PART A

## ADMINISTRATION REPORT

The Pension Fund is governed by Regulations exercised by powers conferred under the Superannuation Act 1972, and includes employees of Swansea Council, Neath Port Talbot County Borough Council and other bodies listed in Appendix 1.

Pension administration continues to adapt to the increased complexity of the Scheme, resulting from the change in the LGPS with effect from 1st April 2014, from a Final Salary scheme to a Career Average Revalued Earnings (CARE) scheme and other overriding legislation. This report encapsulates the service delivery of the pension Fund to its members and employers.

The benefits payable and the employees' rates of contribution are set out in the Local Government Pensions Scheme Regulations 2013 (as amended) and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014. The rates of contribution by employing authorities are based on actuarial valuation and are set out in Part D.

The sole responsibility of the Pension Section team is to administer member benefits; the Section is a separate entity to the Finance Department whose responsibilities include overseeing the investment portfolio of the Fund. Traditionally the Section has been blessed with a wealth of pension knowledge and job satisfaction at the close of the day; this has led to a very low turnover of staff. However, with the ever-changing complexities of the scheme and evolving pension legislation the Fund has increased its staffing numbers to ensure that the service delivery for the future is fit for purpose and we are able to meet the needs of our stakeholders. The make-up of the Team currently stands at 24.5 full-time equivalent posts; this includes the recent additional benefits team (previously 3 now 4) along with the McCloud Team and the Pension Manager. Our work ethos has always been to review working practices with the aim of enhancing our service delivery to our members, employers and third parties. The Fund dedicates itself to the focus of ensuring value for money for all stakeholders.

The principal benefits provided by the Fund include:

- Retirement pensions
- Tax free lump sums on retirement
- Lump sum death benefits
- Survivors' pensions (including Children)
- Deferred benefits, refunds or transfers of pension rights.
- Pensions and lump sums payable on premature retirement due to ill health and early retirement/redundancy.

The Pensioner Payroll is administered in-house by Swansea Council payroll system and pensions are paid monthly, in arrears, on the last banking day of each month.
Where applicable member pensions are subject to an annual increase under the Pensions Increase Act each April, in line with the official rate of inflation, the

Consumer Price Index (CPI) as at the previous 30 September. The rate for the year ending September 2021 was 3.10% to applied from 11 April 2022 to qualifying pensions.

The benefits are statutory and are effectively guaranteed by Parliament. They do not depend on investment performance, but the actuary will take account of how well the investments perform in setting the employers' contribution rate in the actuarial valuation.

The LGPS 2014 Scheme did not affect the provisions for elected member pensions in Wales as their pension benefits continue to accrue on a career average revalued earning basis.

## Membership

Membership of the Fund is largely comprised of:

- Active members - contributors who are still working and paying money into the Fund.
- Deferred members – former members who have elected to retain their pension rights in the Scheme until such a time as they become payable.
- Pensioner members – in receipt of their pension
- Survivor members (including children) – in receipt of a pension in respect of a former member.

Membership of the Scheme is automatic and is open to all employees irrespective of the number of hours or weeks worked. Where an employee is not eligible for automatic entry under auto-enrolment legislation, they may elect to join the Scheme if they so wish. All employees also have the right to choose a personal pension as an alternative or in addition to membership of the LGPS.

Membership of the Fund continues to grow and the latest statistics at Appendix 1 show the total membership of the Fund in 2022/23.

Memberships are monitored to assess trends and events; publications and employer engagement are utilised to ensure a robust membership and working partnership.

## Premature Retirement - Pension Costs

### (a) Ill Health Retirement

Employers do not have to pay separately for the Pension Fund costs for ill health, as the cost is included in the employer's contribution rate as a percentage for such cases; however, the actuarial costs of ill health retirees from current service are calculated for reporting purposes and for the past two years this was:

| | 2021/22 | | 2022/23 | |
|---|---|---|---|---|
| **Ill-Health Retirement** | **No. of Cases** | **Cost £'000** | **No. of Cases** | **Cost £'000** |
| City & County of Swansea | 25 | 1,576 | 37 | 3,622 |
| Neath Port Talbot CBC | 27 | 1,474 | 28 | 1,892 |
| Tai Tarian | 4 | 114 | 4 | 193 |
| Gower College | 2 | 54 | 1 | 23 |
| POBL Group | 2 | 10 | 1 | 45 |
| University of Wales TSD | 1 | 179 | 1 | 167 |
| NPTC Group | 1 | 74 | - | - |
| Coedffranc | - | - | 1 | 189 |
| Celtic Leisure | - | - | 1 | 80 |
| **Total** | **62** | **3,481** | **74** | **6,211** |

**(b) Early Retirement**

Employers are required to take immediate account of the costs of the financial strain on the Pension Fund where they grant early retirement. The actuarial costs of early retirements for the past two years are as follows:

| **Early Access to Pension** | | | | |
|---|---|---|---|---|
| **Employing Body** | **2021/22** | | **2022/23** | |
| | **No. of Cases** | **Cost £'000** | **No. of Cases** | **Cost £'000** |
| City & County of Swansea | 12 | 595 | 16 | 936 |
| Neath Port Talbot CBC | 8 | 180 | 5 | 77 |
| Gower College | 1 | 5 | - | - |
| Celtic Leisure | - | - | 1 | 90 |
| **Total** | **23** | **780** | **22** | **1,103** |

## Administration

### COVID-19 Update

As Covid-19 restrictions eased council employees who were not considered as front-facing have been allowed to return to the workplace. Post covid the Section has had to adapt to a new way of working; it has been recognised that as a result of technological improvements and the implementation of advanced streamlined methods of data processing the Section is able to embrace a hybrid fashion of working. As a section we now have access to a suite of offices on two set-days each week with key administration tasks continuing to be addressed in full during the remaining three days working from home. Thus, ensuring the continuance of a full and effective service-delivery.

To allow for communication channels between the section and its stakeholders to be maintained staff continue to operate on a rota basis to oversee the incoming / outgoing mail function on the days that the section is deemed to be homeworking. The availability of Cisco Jabber (telephone software) on the laptops has allowed the section to continue to engage with our stakeholders. Although face-to-face meetings and events continued to be restricted, staff meetings and training sessions have continued via virtual means. Modification to procedures such as accepting electronic documentation via Member Self Service (MSS) have contributed to ensuring a business-as-usual approach and avoiding any unnecessary delays in the processing of member benefits.

All pension administration staff are trained in their area of work and must successfully complete a training matrix, which for a full-time staff member is 12-months before they begin to work independently; albeit support will always be readily available. Caseloads are processed by means of utilising our software task management and workflows, which outline the process to be followed and contain checklist items. All work, which results in a payment, is peer checked and approved before advancing to the payment stage. The operational staff undertake regular training to ensure their knowledge, understanding of the LGPS is up-to-date, and the Local Government Authority are regularly reviewing and presenting training events of which most of the staff have attended. All staff are encouraged to appraise their own self-development with an aim of future progression. Training needs are monitored via the annual appraisal process and quarterly 1:2:1 meetings. Several staff have already completed a professional qualification in Pension Administration and Management and several staff have already shown interest in undertaking the CIPP Certificate in Pension Administration.

The Section has taken on the task of / completed the scanning and uploading of all hardcopy member documentation to the pensions database; the section has now evolved into a paperless office environment.

**IT systems**

The Pension Section administers the LGPS through the pension administration system *altair*, a system which is subject to regular updates to ensure compatibility with published Regulations / Legislation and the needs of the service delivery. This also includes document imaging and workflow procedures. All hardcopy member documentation received is scanned and indexed to the relevant member record with appropriate process checks in-place to ensure accuracy.

i-Connect has been in use for several years with 92.30% of the Fund's active membership now fully implemented.

The Pension Regulator continues to push towards full electronic data submissions from all employers. The Fund continues to promote i-Connect and the benefits of onboarding to the electronic interface. The interface allows for speed and accuracy of the transfer of membership data from employers' payroll systems to the pension administration system. This benefits both Fund and employer as it enables clean data to be submitted in a timely manner thus improving the year-end submission and ensuring compliance with the requirements of LGPS 2014 and the Pensions

Regulator's Code of Practice for accurate record keeping. Smaller employers are being encouraged to use the on-line returns facility; unfortunately, the pandemic has slowed down the progress of onboarding these employers however plans are afoot to engage with these employers to support the transition in the very near future.

The Pension Fund continues to monitor its website www.swanseapensionfund.org.uk to ensure that information available to active, deferred and pensioner members is accurate and informative and adheres to national standards concerning accessibility.

Along with the availability to view published policies, strategies, and statements, members can download forms and scheme literature. Scheme employers have been issued with login details to access the employer only site. Latest news bulletins are available to view.

'My Pension Online' the on-line digital service allows members to view their member record; review documentation published to MSS and make amendments to the basic details held on our database, such as change of address and death grant nomination. Active members are also able to calculate their own retirement estimates based on voluntary retirement; any estimates that require employer consent has to be presented by the members employer. The Pension Section is actively promoting the service and registration instructions are included within member communications. We regularly review how many of our members are registered and aim to undertake further promotional communications as and when possible. The aim of the Fund is to reduce its carbon footprint.

Percentage of members already registered for My Pension Online based on membership status:

| | Active | Pensioners | Deferred pensioner members |
|---|---|---|---|
| May 2023 | 48.58% | 23% | 36% |

In partnership with Heywood Pension Technologies, (formally Aquila Heywood Limited) the Fund continues to carry-out its activities via a Cloud Hosting Service; to-date no major incidents have occurred which warranted any downtime to the service delivery of the Fund. The Cloud Hosting Service is a highly secure, virtualised service offering a logically separated and ring-fenced server resource, which embrace significant benefits as a 'one-stop-shop'. Heywood Pension Technologies are forward thinking concerning cyber security threats and have published a Cyber Security Policy, which provides evidence and peace of mind regarding the comprehensive safeguards in operation to ensure strict protections are in place relating to member data. Additional benefits include a full disaster recovery plan, reduction to the ongoing cost of software and licence updates, network and system monitoring, data back-up/restore and is fully GDPR compliant.

As a way of enriching the quality of data reporting, the Fund has recently invested in a new reporting tool called Insights. The tool allows us to capture and analyse member data in a real-time fashion; this facilitates the requirements of ongoing statutory reporting.

**Managing Performance**

The Fund uses several performance standards to assess whether it is meeting its statutory requirements. The Pension Fund is dedicated to improving its service delivery to its customers and reviews current measures in place to ensure full compliance with the published Pension Administration Strategy by monitoring performance on an ad-hoc / annual basis to identify any areas where improvements can be made.

The Fund aims to put our members at the centre of everything that we do; expectations are met by:

- Providing a high quality, professional, customer focused service to all members and Fund employers using appropriate technology in a cost effective and resourceful manner.
- Be accessible, fair and helpful and treat everyone equally and courteously.
- Communicate effectively where possible, using easy to understand language.
- Be accountable by monitoring the quality of service and reporting on whether the standards have been achieved and regularly review the target times.
- Consult members and fund employers wherever possible taking into account their views before making any changes.
- Ensuring GDPR compliant at all times.

Ensuring we review all complaints, compliments, disputes, and all other feedback to ensure any learning points are identified and uses several channels to achieve these objectives:

- A Pension Administration Strategy has been prepared in accordance with the LGPS regulations. The purpose of the Strategy is to formulate administrative arrangements between the City and County of Swansea Pension Fund and its participating employers to ensure that each employer is fully aware of its role and responsibilities and that the flow of data is improved by having clear communication in place.

  To complement the Strategy, a Customer Charter has also been produced which gives information about the level of service the Fund aims to provide.

  The documents are subject to review and are available on the Fund's website.

- The Fund has regularly published its own performance indicators. The standards are detailed in Appendix 6.

  Where an area of poor performance has been identified, the Pension Section will review the reasons for poor performance and put in place appropriate processes to improve the level of service delivery in the future.

  The Section continues to communicate on a month-by-month basis with the employers highlighting the importance of providing retirement and early leaver data in a timely manner. The Fund is working closely with the Fund's largest employers to ensure this; this is also addressed during the Employer's Annual Meeting.

- The Fund participates in the National Fraud Initiative, a data matching exercise to detect and prevent fraud and overpayments across England and Wales. The initiative is organised by the Audit Commission who require the provision of details of pensioners to compare against data provided by other public bodies to ensure:
  - Pensions are not paid to persons who are deceased or no longer entitled to them
  - Occupational pension income is declared when any benefit (e.g. council tax or housing benefit) is applied for
  - The best use of public funds

- The Pensions Scheme Act 2021 provides the legal framework for a UK Pensions Dashboards and the requirement for pension schemes to supply data to the programme. In readiness of the implementation of the DWP Pension Dashboard, the Fund continues to work in partnership with Target Professional Services to undertake an address tracing and mortality screening exercise across the deferred and pensioner memberships for those members who are UK residents. Western Union Business Solutions assume the responsibility of the annual pensioner member continued eligibility check for overseas pensioner members. If a member fails to comply with the instruction given the pension in payment is suspended pending proof of member continued eligibility. Until more information is available the Fund is unable to assess the full implementation and on-going costs to administer the Pension Dashboard.

- In conjunction with LGPS Funds in England and Wales the City and County of Swansea Pension Fund participates in the LGPS National Insurance (NI) Database ('the database'). The database has been developed to allow LGPS Administering Authorities to share data to prevent the duplication payments of death grants and to observe member status held with other Funds.

**Compliment and Complaints Policy**

In accordance with our Communications Policy Statement the aim of the Pension Fund is to provide a high-quality cost-effective service delivery to all our customers, this applies to prospective, active, deferred and pensioner members along with fund employers and external bodies. We are happy to receive any feedback from our customers whether negative or positive. If, however, an individual feels that the Section has failed to honour its commitment to provide an effective / efficient customer service experience we will endeavour to review any negative feedback received with an aim of addressing concerns raised.

Based on impartial feedback received from our stakeholders concerning the service delivery received when engaging with the section albeit a positive / negative statement given as a percentage for the period 01/04/2022 – 31/03/2023 is as follows:

| | |
|---|---|
| Compliments | 91% |
| Complaints | 9% |

An example of a compliment is:

*'Thank you for all your help, expertise, and excellent communication throughout this process. Please pass on my comments to your manager or head of service (both). A big pat on the back, the department should be made aware of the type of service you are providing'*.

The complaints received during the period 2022/23 did not advance to the Internal Dispute Resolution Process stage and was dealt with proficiently in-house.

**Customer service satisfaction survey**

With the aim of embracing transparency, the Fund engaged with its employers and members to ascertain whether they deem that the service delivery received from the Fund was that of a positive experience and met with expectations? Employers have been informed that any feedback given would be treated anonymously. Members have been asked to evaluate the overall customer service experience received. The objective of the annual exercise is to evaluate the feedback received from both employers and members to ensure this is consistent with the aims and objectives set out within the Fund's Communication Policy Statement. The results of the survey have been collated and are as follows:

**Employing authorities were asked do you agree that the City & County of Swansea Pension Fund…**

| | Strongly Disagree | Disagree | Agree | Strongly Agree |
|---|---|---|---|---|
| …offers documentation, guidance and information in a professional manner? | - | - | 57.9% | 42.1% |
| …is proactive in their approach to provide a service to its employers? | - | - | 63.2% | 36.8% |
| …gives an appropriately timed service with regular updates? | - | - | 73.7% | 26.3% |
| …is customer focused and meets the needs of its employers? | - | 10.5% | 63.2% | 26.30% |
| … has provided a high-quality service to you in your role as employer? | - | - | 63.2% | 36.8% |
| … ensures you are aware of your LGPS employer related roles and responsibilities for the administration of the City & County of Swansea Pension Fund? | - | 5.3% | 68.4% | 26.3% |
| … communicates in a clear and concise manner? | - | 5.3% | 57.9% | 36.8% |

| | | | | |
|---|---|---|---|---|
| … uses the most appropriate means of communication? | - | - | 57.9% | 42.1% |

The above statistics have been based on nineteen anonymous responses received from differing employer Payroll & HR Sections

**Pension members where asked do you agree that the City & County of Swansea Pension Fund…**

| | | Strongly Disagree | Disagree | Agree | Strongly Agree |
|---|---|---|---|---|---|
| Administration | …offers documentation, guidance, and information in a professional manner? | 4.35% | 2.17% | 50% | 43.48% |
| | …is proactive in their approach to provide a service to members? | 4.44% | 2.22% | 53.33% | 40% |
| | …gives an appropriately timed service with regular updates? | 4.35% | 6.52% | 45.65% | 43.48% |
| | …is customer focused and meets the needs of its members? | 4.17% | 2.08% | 56.25% | 37.5% |
| | … has provided a high-quality service throughout your membership? | 4.35% | 4.35% | 54.35% | 36.96% |
| Communications | … promotes the scheme as valuable and provides sufficient information so you can make informed decisions about your pension? | 4.26% | 2.13% | 53.19% | 40.43% |
| | … communicates in a clear and concise manner? | 4.26% | 4.26% | 53.19% | 38.3% |
| | … uses the most appropriate means of communication? | 4.26% | 4.26% | 53.19% | 38.3% |

| | Didn't Say | Active | Deferred | Pensioner |
|---|---|---|---|---|
| Please tick your membership status | | 28.26% | 19.57% | 52.17% |

**Additional feedback given by members includes:**

- I have tried many times to access My Pension Online updates, each time you sent me password or code it doesn't work.
- By Receiving email version, had to use my son's printer to fill in forms. Would be good to be able to fill in online. Not sure about LTA%!
- More guidance needed especially for members who are faced with having to make life changing decisions in very limited time. This process has been extremely stressful.

**Internal Dispute Resolution Process**

If there is a complaint or dispute against either the Fund or a decision made by an employer concerning a matter relating to the LGPS, there is a provision for its resolution known as the Internal Dispute Resolution Process (IDRP). The disputes process follows a set procedure.

Individual employers consider Stage 1 appeals if the dispute is against decisions made by them, or by the Administering Authority if the dispute is against a Pension Fund decision. Where the appellant remains dissatisfied with the outcome of Stage 1, they may refer the complaint to the Administering Authority for reconsideration under Stage 2 of the appeal process. The Administering Authority has appointed two independent officers to review Stage 1 complaints any complaint that progresses to Stage 2 the complaint and initial judgement is reviewed by an appointed Stage 2 IDRP Adjudicator.

Should the appellant remain dissatisfied after the Stage 2 outcome, they may refer the complaint or dispute to the Pensions Ombudsman for determination.

An analysis of the dispute cases raised during the year to 31 March 2023 is as follows:

| Stage | No. of Appeals | Appeals upheld |
|---|---|---|
| Stage 1 | 3 | 2 |
| Stage 2 | 1 | Ongoing |
| Referred to Pensions Ombudsman | 0 | - |

Please note that one of the Stage 1 appeals progressed to stage 2; review of the complaint is ongoing. A complaint submitted to the Pension Ombudsman in 2019/2020 by a pensioner member is still outstanding and we are awaiting receipt of the adjudicator's opinion.

**Communications**

The Fund is required to have a formal Communications Policy Statement under the regulations, which sets out the mechanisms used to meet its communication needs (see Appendix 10.

During 2022/23 the Fund member engagement continued to focus on Covid-19 related activity. The Section updated the Business Continuity plan to provide assurances on the continued service levels.

With the digital world constantly evolving the Fund continues to review the way in which it engages/communicates with its stakeholders to meet both member and employer expectations. The Fund continues to keep employers and members updated with the latest changes affecting the scheme, options to increase pension entitlements, Annual and Lifetime Allowance pension tax implications and any other legislative changes. The key activity being:

- Member roadshows have been temporarily suspended due to the pandemic.

- Attending member pre-retirement courses by virtual means

- Distribution of Annual Benefit Statements to both active and deferred members

- Newsletters sent to both Active members and Pensioner members.

- Annual consultative meetings to discuss the Fund’s Annual Report and Accounts and to communicate strategic issues and significant legislative changes to operational staff continue by virtual means.

- Training for and meetings with operational staff and employers with regard to the changes impacting on the LGPS continue by virtual means.

- All Wales Communication Group continue to meet on a half yearly basis by virtual means. The aim of the group is to share knowledge and experience gained within this key area and to recognise different means of best practice within pension communications. By working on a collaborative basis cost, time & effort are shared.

- The Fund’s website (www.swanseapensionfund.org.uk), which covers all aspects of the LGPS for its active members, councillor members, deferred members, pensioners and their dependants as well as an ‘Investment and Fund’ section which provides details of the governance of the Fund.

  The website provides members with access to pension forms and online literature, which assists with the reduction to the Fund’s carbon footprint by reducing printing and postage costs. Members also have access to the Additional Pension Contribution (APC’s) calculator if a member is considering increasing their benefits or buying pack lost pension. There is a suite of short videos on the LGPS, taxation matters and benefits of scheme membership.

  The website also includes a dedicated employer section that contains all information, including standard forms, which an employer needs to administer the LGPS.

**Data quality**

Data quality requirements are rooted in the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations in 2014. The Pension Regulator (TPR) requires the City and County of Swansea Pension Fund to monitor and improve member data held. The Fund undertakes a review of the quality of data held on an annual basis to ensure data is present and accurate and provides TPR with the results of the data score based on members common and specific data.

The scores are presented as a membership percentage as part of the scheme return each Autumn.

Confirmation of the results are below broken down into the following two data categories:

- **Common Data** – basic data items used to identify scheme members for example name, address, national insurance number etc.
- **Scheme Specific Data (formerly Conditional Data)** – key data to running the Scheme and meeting legal obligations.

| Date data quality check undertaken | Data Area | Data Score | AIM |
|---|---|---|---|
| June 2018 | Common Data | 94.40% | 100% |
| | Scheme Specific Data | 72.10% | 100% |
| June 2019 | Common Data | 97.10% | 100% |
| | Scheme Specific Data | 88.10% | 100% |
| June 2020 | Common Data | 97.1% | 100% |
| | Scheme Specific Data | 89.1% | 100% |
| June 2021 | Common Data | 99.6% | 100% |
| | Scheme Specific Data | 97.4% | 100% |
| June 2022 | Common Data | 96.7% | 100% |
| | Scheme Specific Data | 93.41% | 100% |

**McCloud Judgement**

Background information

The coalition government called for savings to the costs incurred by taxpayers concerning public sector pensions. Lord Hutton was commissioned to undertake an investigation into the sustainability of such costs, which led to The Independent Public Services Commission report being published, and the dawn of a new public sector Career Average Revaluation Earnings pension scheme being unveiled. The directive for the change was date effective 01/04/2014 in the LGPS in England and Wales and other public sector pension schemes from 01/04/2015.

When the Government reformed the LGPS members in England and Wales were automatically moved into the CARE scheme and an underpin protection was introduced to provide assurances that the retirement benefits payable within the CARE scheme equalled the benefits that the member would have received had they remained in the final salary scheme. The underpin protection applied to members who were in active membership on 31/03/2012 and transitioned into the new scheme on 01/04/2014. The protection applied to a certain group of members; those who were within 10-years of their 2008 normal pension age or aged at least 55-years on 31/03/2012 with no disqualifying break of more than 5-years in public sector membership. Members of the Judges and Firefighters Pension Schemes appealed to the Court of Appeal, as the perception was that younger members of the Pension Schemes had been discriminated against. The Courts found in favour of the complaintive, ruling that the underpin protection was indeed unlawful age discrimination.

The revised underpin will apply to current active members within scope and extend to qualifying members who were active members of the 2008 LGPS on 31/03/2012 and 31/03/2014 and transitioned to CARE on 01/04/2014. This encompasses pensioner, deferred members, and those members whose member status is that of exit liability as they have transferred benefits out to an alternative pension arrangement. The remedy will also apply to death in service and survivor benefits. The remedy will be in place up to and including 31/03/2022 and apply to those members within scope.

On 27 July 2022 LGPS funds received confirmation that the Public Service Pensions and Judicial Offices Act 2022 had received Royal Assent. The initial draft regulations have been updated to reflect the new powers of the 2022 Act. In light of the said changes a further period of consultation will begin 2023 to ensure accuracy of the published Regulations. The Regulations will be made later in 2023 and will come into force on 1st October 2023.

**Progress to-date**

A team of five experienced Pension personnel were seconded to the McCloud Team on 1st January 2021; the prime purpose of which was to oversee the application of the McCloud remedy to member benefits. In readiness of the application of the McCloud remedy, there has been considerable employer engagement whilst undertaking an in-depth data cleansing exercise to ensure the accuracy of all part-time hours and service breaks recorded on member records. To-date the Team have undertaken the following member data rectification:

805 historical records which required the recalculation of concurrent membership has been completed.
7447 member records within Scope of the McCloud Remedy warrant data verification:

- 19 employers with members in scope
- 19 employers have provided data so far although further investigation is necessary for some.
- Data received for 6359 records representing 85.4%
- Data cleansing team have worked through two main employer member records which are the highest volume.
- A few employers will need reminders to provide data – 22 member records in scope.
- Swansea Council stopped providing data during their transition to Oracle Fusion resulting in 1,166 outstanding records representing 25.71% of their members in scope left to update.

**Audit of Fund**

To ensure efficiencies are met the Fund is subject to both internal and external audit of its practices and internal controls on a regular basis. Full compliance is essential in response to reasonable requests. Recommendations presented are considered and actioned accordingly. Alternative means of gathering evidence of the efficiencies of the administration management includes:

Pension Committee Reporting
Reporting of breaches policy
The Pension Regulators annual scheme return.

**The Pensions Regulator Code of Practice (TPR)**

The Fund fully complies with the Pensions Regulator Public Service Code of Practice (Governance and Administration of the Public Service Pension Schemes) which came into force with effect from 1st April 2015. The main ethos of the Code is to provide pension funds inclusive of LGPS Funds with a summary of their key governance and administration duties and the standards of conduct, record keeping, and practice expected by the Pensions Regulator.

A draft version of a new Single Code of Practice was published as part of The Pension Regulators consultation period in March 2021; the aim of the new Code is bring together 10 of the existing separate 15 Codes of Practice which includes new governance requirements; the Code sets out what expectations are in place of how occupational pension schemes should be managed and the policies, practices and procedures that should be practiced. The Pension Regulator intends to publish its long-awaited Single Code of Practice (the Code) sometime in 2023.

In September 2021, the Fund signed up to join The Pensions Regulators Scams Pledge, to show that the fund is committed to tackling pension scams. The fund already had robust procedures in place to protect scheme members, by undertaking stringent checks on requests for transferring benefits out of the scheme and regularly warning members about the risk of scams. By taking the pledge it tells scheme members and the pensions industry that the fund is committed to stopping scammers in their tracks.

## Legislative Changes in the LGPS during 2022/23

**10 March 2022 – Public Service Pensions and Judicial Offices Act 2022** – An Act to make provision about public service pension schemes, including retrospective provision to rectify unlawful discrimination in the way in which existing schemes were restricted under the Public Service Pensions Act 2013 and corresponding Northern Ireland legislation; to make provision for the establishment of new public pension schemes for members of occupational pension schemes of bodies that were brought into public ownership under the Banking (Special Provisions) Act 2008; to make provision about the remuneration and the date of retirement of holders of certain judicial offices; to make provision about judicial service after retirement; and for connected purposes.

**01 April 2022 - LGPS Additional Pension purchase limit applicable for 2021/22 in England and Wales -** Regulations 16(6) and 31(2) of the LGPS Regulations 2013 state that the additional pension limit is increased on the 1 April each year as if it were a pension beginning on 1 April 2013 to which the Pensions (Increase) Act 1971 applied. The pensions increase due on the 1 April 2022 is the increase that applied on 06 April 2021. The additional pension limit of £7,316 that applied in 2021/22 is increased by 3.1% to £7,579.00 from the 1 April 2022.

**April 2022 – The Occupational and Pension Schemes (Fraud Compensation Levy) (Amendment) Regulations 2022** – prepared by the Department for Work and Pensions and laid before Parliament on 10 March 2022 and come into force on 01 April 2022. These Regulations make amendments to the Occupational Pension Schemes (Fraud Compensation Levy) Regulations 2006 (S.I. 2006/558) and the Occupational Pension Schemes (Master Trusts) Regulations 2018 (S.I. 2018/1030).

The fraud compensation levy is paid by occupational pension schemes and is used to fund the Fraud Compensation Fund, which makes payments to certain schemes that have lost money because of fraud.

Regulation 3 amends the Occupational Pension Schemes (Fraud Compensation Levy) Regulations 2006 to set out the maximum fraud compensation levy that may be raised in any one financial year. It sets out a maximum fraud compensation levy of 65 pence per member for Master Trust schemes and £1.80 per member for all other occupational pension schemes.

Regulation 4 revokes regulation 23(2)(c) of the Occupational Pension Schemes (Master Trusts) Regulations 2018.

An impact assessment has not been published for these regulations as it amends an existing statutory regime, and the associated administrative costs are negligible.

**April 2022 – The Pensions Increase (Review) Order 2022 -** in accordance with the Pension Increase (Review) Order 2022 - This Order Laid before Parliament on 18 March 2022 came into force 11 April 2022 and makes provision for the annual increase of official pensions (as defined in the Pensions (Increase) Act 1971). The Order provides for an increase of 3.1 per cent from 11 April 2022 for all official pensions, except for those, which have been in payment for less than a year, which will receive a pro-rata increase.

**06 April 2022 – The Registered Pension Schemes (Miscellaneous Amendments) Regulations 2022 -** The Commissioners for Her Majesty's Revenue and Customs laid the Regulations in exercise of the powers conferred by sections 237B(5)(b) and (c) and 251 of the Finance Act 2004(**1**), and now exercisable by them. This instrument provides for the extension to Scheme Pays information and reporting deadlines where there has been a retrospective change of facts that affects an individual's pension input amount and their annual allowance.

**06 April 2022** – **The Social Security Revaluation of Earnings Factors Order 2022** - has been prepared by The Department for Work and Pensions and is laid before Parliament by Command of Her Majesty. This instrument is being made to ensure that earnings factors relating to National Insurance contributions for historic tax years, used in the calculation of additional State Pension and Guaranteed Minimum Pensions (GMPs), maintain their value in line with the increase in average earnings.

**06 April 2022** - **THE AUTOMATIC ENROLMENT (EARNINGS TRIGGER AND QUALIFYING EARNINGS BAND) ORDER 2021** prepared by the Department for Work and Pensions and laid before Parliament by Command of Her Majesty. This sets out revised amounts for the 2022/23 tax year for the upper and lower thresholds of the automatic enrolment qualifying earnings band, and rounded figures for the earnings trigger and qualifying earnings band. It has been concluded that the amounts for the qualifying earnings band should continue to be aligned with the National Insurance Contributions Lower and Upper Earnings Limits for the tax year 2021/22 and that the automatic enrolment earnings trigger should remain at £10,000.

**06 April 2022 - THE SOCIAL SECURITY (CONTRIBUTIONS) (RATES, LIMITS AND THRESHOLDS AMENDMENTS AND NATIONAL INSURANCE FUNDS PAYMENTS) REGULATIONS 2022 -** prepared by HM Revenue and Customs and laid before Parliament by Command of Her Majesty. This instrument gives effect to the annual re-rating of various National Insurance contributions (NICs) rates, limits, and thresholds for the purposes of calculating Class 1, Class 2, Class 3 and Class 4 NICs liability (or voluntary payment) for the tax year beginning 6 April 2022. It also allows for payment of a Treasury Grant not exceeding 17 per cent of the estimated benefit expenditure for the 2022-23 tax year to be made into the National Insurance Fund and makes corresponding provision for Northern Ireland.

**6 April 2022 -The Guaranteed Minimum Pensions Increase Order 2022** - This Order specifies the percentage by which that part of any guaranteed minimum pension attributable to earnings factors for the tax years 1988-89 to 1996-97 and payable by contracted-out, defined benefit occupational pension schemes. This instrument specifies that the GMP is to be increased by 3 per cent from 06 April 2022 in accordance with Section 109(3) of the Pension Schemes Act 1993 (c. 48).

**6 April 2022 - Annual allowance and lifetime allowance limits applicable from 6 April 2019 –** There has been no amendment to The Finance Act 2004 (Standard Lifetime Allowance) Regulations 2020 [SI 2019/29]; the Lifetime Allowance limit remains at £1,073,100 from the 6 April 2022. The Annual Allowance, as defined by the Finance Act 2004 (as amended), remains unchanged at £40,000 for 2022/23.

**7 April 2022 - THE PUBLIC SERVICE PENSIONS REVALUATION ORDER 2022 –** prepared by HM Treasury and laid before the House of Commons on 07 March 2022 by Command of Her Majesty. This Order specifies the annual percentage change in prices, and earnings, to be applied for the purposes of revaluation required by schemes under the Public Service Pensions Act 2013 ("the Act") in relation to the period 1 April to 31 March and applies to Career Average Revalued Earnings Schemes. The prices metric that was used for revaluation from April 2021 to 31 March 2022 inclusive is the September 2021 CPI figure, which represents an increase of 3.1%. CPI is the Government's preferred measure of change in prices for the indexation of public service pensions in payment and deferment.

**May 2022** – **The Pension Regulator** published an amended Transfer Out Warning letter.

**12 May 2022** – **Department for Levelling Up, Housing and Communities** published statutory guidance on the making and disclosure of special severance payments by local authorities in England.

**01 June 2022** – **The Financial Guidance and Claims Act 2018 (Commencement No 9)**. The Secretary of State for Work and Pensions, in exercise of the powers conferred by section 37(5), (8)(b) and (9)(a)(i) of the Financial Guidance and Claims Act 2018(**1**) in relation to Section 18(1) and (2) (personal pension schemes: requirements to refer members to guidance etc) and Section 19 (2) and (3) (Occupational pension schemes, requirements to guidance etc) for all remaining purposes.

**01 June 2022 – The Occupational and Personal Pension Schemes (Disclosure of Information) (Requirements to Refer Members to Guidance etc.) (Amendment) Regulations 2022** – As prepared by the Department for Work and Pensions and laid before Parliament by Command of Her Majesty. The purpose of this instrument is to make amendments to regulations governing the disclosure requirements for occupational and personal pension schemes. It will place new requirements on the trustees or managers of certain occupational pension schemes (defined contribution pension schemes) to ensure relevant beneficiaries are referred to appropriate pension guidance. These Regulations came into force on 01 June 2022.

**22 July 2022 – The Accounts and Audit (Amendment) Regulations 22** – prepared by the Ministry of Housing, Communities and Local Government and laid before Parliament by Command of Her Majesty. This instrument amends the Accounts and Audit Regulations 2015 (S.I 2015/234) ("the 2015 Regulations") to extend the deadline for publishing audited local authority accounts to 30 November 2022 for the 2021/22 accounts. Following this, the deadline will revert to 30 September for 6 years, taking effect for the 2022/23 accounts and ending once the 2027/28 accounts have been completed.

**01 August 2022 – The Pension Schemes Act 2021 (Commencement No 3 and Transitional and Savings Provisions) Regulations 2022**. The Secretary of State for Work and Pensions in exercise of the powers conferred by Section 131(1), (4) and (5) of the Pension Schemes Act 2021(1). These Regulations bring into force provisions in Parts 1, 3 and 5 of the Pension Schemes Act 2021 (c. 1) ("the Act"). They are the sixth commencement regulations to be made under the Act. These Regulations also contain a transitional provision in relation to section 3 of the Act (qualifying schemes).

**03 August 2022 – The Public Service Pensions (Employer Cost Cap and Specified Restricted Scheme) Regulations 2022** – prepared by HM Treasury and laid before the House if Commons by Command of Her Majesty. These Regulations widen the cost control mechanism's cost corridor from +/-2% to +/-3% of pensionable pay. This increases the amount by which a scheme's cost must diverge from the employer cost cap before triggering a breach of the mechanism. The change will take effect from the 2020 valuations.

**10 November 2022 – Scheme Advisory Board** confirm Lee Rowley MP as the new minister for the LGPS.

**21 November 2022 – The Pensions Dashboards Regulations 2022** – Prepared by the DWP and laid before Parliament by Command of his Majesty; came into force on 12 December 2022. The Pensions dashboard services are an electronic communications service, which will allow individuals to see their pensions information (including the State Pension) in one place online. Pensions dashboard services will help individuals to be reunited with lost pensions and support people in better planning for their retirement. This instrument sets out requirements that need to be in place to enable pensions dashboard services to operate effectively.

**07 December 2022 – The Pensions Act 2004 (Disclosure of Restricted Information by the Pensions Regulator) (Amendment of Specified Persons) Order 2022**. Prepared by the DWP and laid before Parliament by Command of His Majesty; came into force on 28th December 2022. This instrument enables the Pensions Regulator (TPR) to disclose restricted information to the Money and Pensions Service (MaPS) in relation to its pensions dashboard's role and to support delivery of pensions dashboard services. This instrument is related to the Pensions Dashboards Regulations 2022/12201 (the Dashboards Regulations) which introduce requirements that will bring pensions dashboard services into operation.

**19 December 2022 – The Public Service Pensions (Exercise of Powers, Compensation, and Information) Directions 2022** – These Directions set out how certain powers contained in the Public Service Pensions and Judicial Offices Act 2022 (c. 7) ("PSPJOA 2022") must be exercised, how compensation may be paid, and expand upon the information that must be provided under that Act.

**19 December 2022 - The Public Service Pensions (Exercise of Powers, Compensation, and Information) Directions 2022 – Equality Impact Assessment -** This Direction records the equality impact analysis undertaken for the Public Service Pensions (Exercise of Powers, Compensation, and Information) Directions 2022, to enable Ministers to fulfil the requirements placed on them by the

Public Sector Equality Duty1 (PSED) as set out in section 149 of the Equality Act 2010

**10 January 2023** – **Finance Act 2023** - An Act to grant certain duties, to alter other duties, and to amend the law relating to the national debt and the public revenue, and to make further provision in connection with finance.

**01 March 2023** – **The Local Government (Structural Changes) (Supplementary Provision and Amendment) Order 2023 –** Prepared by Department for Levelling Up, Housing and Communities and laid before Parliament by Command of His Majesty.
This Order provides for incidental, consequential, transitional, and supplementary arrangements in consequence of specific orders made by the Secretary of State under section 7 ("section 7 orders") of the Local Government and Public Involvement in Health Act 2007 ("the 2007 Act"). This Order makes provisions specific to the new single-tier councils of Cumberland, and Westmorland and Furness, and to the continuing authorities of North Yorkshire and Somerset, so that there is a smooth transition from the predecessor councils (the councils that will be abolished on the reorganisation date) to the successor council(s) (the new council(s) that are being created for these areas), and for continuing effective local government in the area.

**03 March 2023** – **Scheme Advisory Board** published guidance to assist administering authorities with McCloud data issues. The guidance sets out what options administering authorities in England and Wales may consider if they are unable to collect the data needed to implement the McCloud remedy. It covers both missing data and data that may be inaccurate. The guidance should be read in conjunction with the legal advice provided by Eversheds on McCloud data issues which is referenced within the guidance document.

**31 March 2023 - The Local Government Pension Scheme (Amendment) Regulations 2023** – Prepared by the DLUHC and laid before Parliament by Command of His Majesty. The Local Government Pension Scheme Regulations 2013 established the Local Government Pension Scheme ("the LGPS") as a career average revalued earnings scheme. According to the Public Service Pensions Act 2013, a member's pensionable earnings under a career average revalued earnings ("CARE") scheme must be revalued each year to keep up with inflation until the member leaves pensionable service, based upon the index rate adjustment for the relevant period specified in a Treasury order. The effect of the changes made by these Regulations to the 2013 Regulations is that the revaluation adjustment is moved from 1 April to 6 April each year. The result is that the Scheme revaluation is brought into alignment with the HMRC process for assessing the annual allowance tax charge, ensuring that members do not breach the limit because of the revaluation process.

## Other impacting legislation

### Cessation of Contracting Out

The basic state pension and state second pension (S2P) were abolished on 5th April 2016 and replaced by a single-tier pension.

For LGPS members, this has meant an increase in National Insurance (NI) contributions for both members and their employers as the previous rebate allowed, to contract-out pension schemes out of S2P, now no longer applies.

An additional implication of the cessation of contracting out is that members of all pension schemes, which had contracted-out status, have a Guaranteed Minimum Pension (GMP), which relates to the part of their pension between 6th April 1978 and 5th April 1997 for which they were contracted out. The GMP is not an additional amount but is an amount which the Scheme must ensure at least equals the members equivalent LGPS pension at State Pension Age.

To ensure that pension scheme records reconcile with those of HMRC, the formerly contracted-out pension schemes, including the LGPS, are undertaking an exercise to ensure the correct information is held on members' records. The reconciliation exercise initially had to be completed by December 2018; however, to address outstanding queries this has been extended in accordance with HMRC direction.

This exercise has proved to be extremely challenging and has led to considerable work to ensure that the Fund does not incur unwarranted liabilities. To allow for this the Fund has outsourced the exercise to a third party who are dealing specifically with the reconciliation exercise. The exercise is still ongoing however, it is anticipated that the findings will be received by the Fund late 2023.

### Tax Reform

The last few years has seen major steps taken by the Government to reduce tax-free allowances on pension accrual.

The Lifetime Allowance (LTA), which is the total amount an individual can hold in all their pension savings, reduced to £1.25m from 6th April 2014 with further reductions applied. From 2018/19 onwards, the lifetime allowance has been subject to an increase each year in line with inflation and for the tax-year 2021/22, this is £1,073,100m. The current LTA is frozen for the next 5 fiscal years.

As a means of best practice, the Fund engages with its members where a future LTA breach has been identified this will allow for sufficient time for individuals to seek independent financial advice concerning taxation matters.

In addition, HMRC also limits the amount by which the total value of a person's pension benefits can increase in a year. The Annual Allowance limit reduced to £40,000 with effect from 1st April 2014 and remained at this level for 2022/23, which has resulted in more members becoming subject to tax charges on the excess accrued. The Fund undertakes an exercise each year and any member subject to an Annual Allowance breach will be issued with a Pension Saving Statement by 06 October.

On 15 March 2023 the Chancellor announced radical changes to pension taxation in the Spring Budget. The Annual Allowance will increase from £40,000 to £60,000 from 6 April 2023, with individuals continuing to be able to carry forward unused Annual Allowances from the three previous tax years. Changes have also been made to the Lifetime Allowance, the charge for which will be reduced to zero from 6 April 2023, before being fully abolishing in a future Finance Bill. Other changes were made to the Money Purchase Annual Allowance and Tapered Annual Allowance. More detail can be found in the Budget document and the Pension Tax Limits policy paper.

**LGPS 2016 Scheme Valuation Report published by Government Actuary's Department**

GAD has published its report on the 2016 scheme valuation which calculates the cost cap cost of the scheme using HM Treasury's valuation directions, as at 31st March 2016. The report concludes that the costs of the scheme were 1.2% below the target cost, meaning no action is required to be taken as there is no breach of the 2% corridor.

**The Department for Levelling Up, Housing and Communities launched its climate risk reporting consultation**.

The Department for Levelling Up, Housing and Communities launched a consultation regarding governance and reporting of climate change risks on 01st September 2022. The consultation sought views on proposals to require Local Government Pension Scheme (LGPS) administering authorities in England and Wales to assess, manage and report on climate-related risks, in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). The consultation closed at 11:45pm on 24th November 2022. The Scheme Advisory Board submitted a response on 18th November 2022. The response includes some over-arching observations on the role of pension funds (as well as their limitations), the production of climate risk reports as well as responses to the Department's specific questions on governance, scenario analysis, metrics, and risk management. The full response is available to view at

https://lgpsboard.org/images/Other/221012_DLUHCClimateRiskReportingconsultation_SABresponse.pdf

**Wales Pension Partnership (WPP) – Asset Pooling**

The WPP was established in 2017 with the objective to deliver:

- economies of scale
- strong governance and decision making
- reduced costs and excellent value for money, and
- an improved capacity and capability to invest in infrastructure

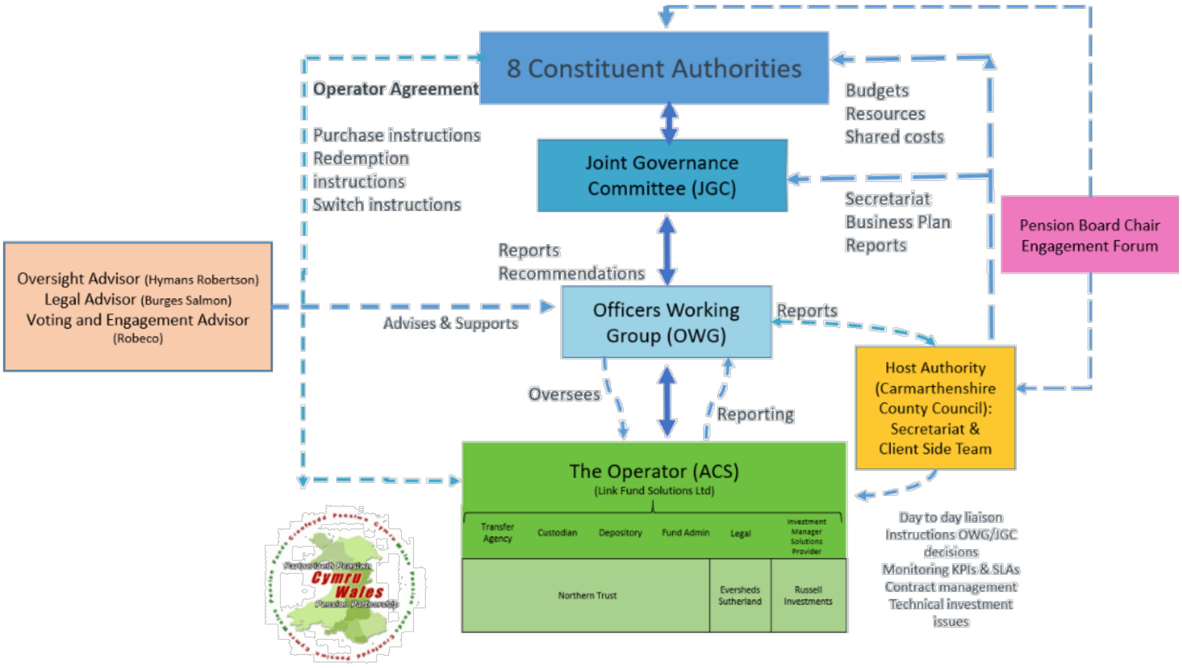
The WPP is one of the eight Local Government Pension pools nationally and is a collaboration of the eight LGPS funds in Wales including Cardiff and the Vale of Glamorgan, Clwyd, Dyfed, Greater Gwent (Torfaen), Gwynedd, Powys, Rhondda Cynon Taff and Swansea. The eight funds have a long, successful history of collaboration including a collaborative tender for a single passive equity provider for the Welsh funds pre-dating the Government's pooling initiative.

Collective investment management offers the potential for investment fee savings, opportunities to broaden investment portfolios, enhanced voting and engagement activity as well as access to shared knowledge and best practice. Whilst the WPP is responsible for providing collaborative investment solutions, each constituent authority remains responsible for setting their own investment strategy.

WPP's operating model is designed to be flexible and deliver value for money. WPP appointed an external fund Operator and makes use of external advisers to bring best of breed expertise to support the running of the Pool. The Operator is Link Fund Solutions and they have partnered with Russell Investments to deliver effective investment management solutions and provide strong net of fee performance for all the Constituent Authorities.

**Governance**

The WPP details how it deals with all aspects of Governance through its Inter Authority Agreement (IAA) which was approved by all eight Constituent Authorities in March 2017. The IAA defines the standards, roles and responsibilities of the Constituent Authorities, its Members, Committees and Officers and includes a Scheme of Delegation outlining the decision-making process. In line with its belief that good governance should lead to superior outcomes for stakeholders, the WPP has put in place a robust governance structure:




The eight Constituent Authorities of the WPP are:

- Carmarthenshire County Council (Host)
- City and County of Swansea Council
- City of Cardiff Council
- Flintshire County Council
- Gwynedd Council
- Powys County Council
- Rhondda Cynon Taff County Borough Council
- Torfaen County Borough Council

The Constituent Authorities sit at the top of the WPP's governance structure. They retain control of all activity carried out by the WPP and remain responsible for approving the WPP's Business Plan, which outlines the WPP's budget and work plan, as well at its Beliefs and Objectives.

The WPP operates a Joint Governance Committee (JGC), with the investment infrastructure and management appointment processes operated by Link Fund Solutions and Russell Investments.

**Joint Governance Committee**

The Wales Pension Partnership Joint Governance Committee (JGC) was formalised in June 2017 and meets a minimum of 4 times a year and each meeting is webcasted for the public. The WPP ensures open and transparent meetings and publication of agendas, minutes and webcasts, where appropriate. The JGC is comprised of one elected member from each of the eight Constituent Authorities and a co-opted (non-voting) scheme member representative. The elected member must be a member of that Constituent Authority and that Constituent Authority's Pensions Committee. The Chair and Vice-chair are rotated on an annual basis. The current chair is Cllr. Christopher Weaver - City of Cardiff Council (Cardiff & Vale of Glamorgan Pension Fund) and the current vice-chair is Cllr. Ted Palmer – Flintshire County Council (Clwyd Pension Fund). The JGC is responsible for overseeing the pooling of the investments of the eight Local Government Pension Scheme funds in Wales. The JGC's full set of responsibilities are set out in Schedule 3 (JGC Matters) and Schedule 4 (JGC Terms of Reference) of the Inter Authority Agreement.

**Officers Working Group**

A WPP Officers Working Group (OWG) was established with the purpose of providing support and advice to the Joint Governance Committee. The group meets quarterly with additional meetings held as and when required. The OWG comprises of practitioners and Section 151 officers from all eight Constituent Authorities. The Chair of the OWG is Chris Moore, Section 151 Officer of Carmarthenshire County Council (Host Authority). The remit of the OWG is set out in Schedule 8 of the IAA

**Host Authority**

Carmarthenshire County Council has been appointed as the Host Authority for the Wales Pension Partnership, providing administrative and secretarial support to the JGC and liaising day to day with the operator on behalf of all the LGPS funds in Wales. The role of the Host Authority is set out in Section 6 of the IAA.

**Monitoring Officer**

The Monitoring Officer (Head of Administration & Law) is responsible for maintaining the IAA to ensure that it reflects up to date legislative requirements and the WPP's Governance needs and is also responsible for ensuring that the provisions are fully complied with at all levels.

The Monitoring Officer attends all JGC meetings and is well placed to play a proactive role in supporting Members and Officers in both formal and informal settings to comply with the law and with the WPP's own procedures. As the Head of Service with ultimate responsibility for the Democratic Services Unit, the Monitoring Officer is also responsible for the formal recording and publication of the democratic decision-making process. The Monitoring Officer works closely with the Section 151 Officer in accordance with the provisions of the Local Government and Housing Act 1989 and will report to the Joint Governance Committee if she considers that any proposal will give rise to unlawfulness. Section 151 Officer The Director of Corporate Services is the responsible officer for the administration of the WPP's affairs under Section 151 of the Local Government Act 1972 and carries overall responsibility for the financial administration of the WPP.

**Link Fund Solutions**

The WPP have designed an operating model which is flexible and able to deliver value for money. Link Fund Solutions Ltd (Link) have been appointed as the external Operator and with the support of Russell Investments, they deliver effective investment management solutions and provide strong net of fee performance for all the Constituent Authorities. There is an Operator Agreement in place with Link Fund Solutions which sets out the contractual duties of the Operator and governs the relationship between the Operator and the WPP

### External Advisors

The WPP have appointed External Advisors to provide additional support and advice. All contracts go through a formal procurement process in line with CCC's Procurement Guidelines.

Legal Advisors – Burges Salmon

Burges Salmon provide Legal advice, as and when required.

Oversight Advisors – Hymans Robertson

Hymans Robertson have been appointed the Oversight Advisors for the WPP. Hymans Robertson's role spans oversight and advice on governance arrangements, operator services, strategic investment aspects and project management support. They attend all OWG and JGC meetings.

Voting and Engagement Provider – Robeco Ltd

Robeco have been appointed the WPP's Voting and Engagement provider and they will assist the WPP in formulating and maintaining a Voting Policy and Engagement Principles that are in keeping with the Welsh Constituent Authorities' membership of the Local Authority Pension Fund Forum ('LAPFF'). Robeco will also take responsibility for implementing the Voting Policy across WPP

### Governance Matrix

The WPP has developed a Governance Matrix which focuses on outlining the different roles that bodies within the WPP play in the WPP's decision making process. It also articulates that the WPP consults / or seeks input from several different bodies within the WPP before decision are formalised. This process highlights the number of checks and balances that the WPP has built into its decision-making process to ensure good governance is delivered.

### Engagement Protocol

The WPP believes in regularly engagement with its key stakeholders. The WPP has an Engagement Protocol Framework in place, this is carried out via the following engagement mechanisms:

- Strategic Relationship Review meetings - Bi-Annual
- JGC Engagement – Quarterly
- OWG Engagement – Quarterly
- Pension Board Engagement – Every 6 months
- Pension Fund Committees – Annual
- Manager Engagement Days – Annual
- Member Communications – Annual
- Engagement via the website & LinkedIn – continuous

As well as regular engagement between Officers, Members and External Parties, as detailed on the Governance Structure diagram, these engagements also involve engagements between Pension Committee Members, Pension Board Members and Investment Fund Managers, both existing and potential.

**Responsible Investment**

Responsible Investment ("RI") continues to be a key priority for the Welsh Constituent Authorities. In 2020/21 WPP worked towards drafting and agreeing a Climate Risk Policy – this outlined the unified climate risk beliefs and the measures we have adopted to manage climate risk within the WPP Sub-Funds. In August 2020, a dedicated WPP RI Sub-Group was established in recognition of the important of this subject matter.

The Sub-Group meets twice a quarter and is responsible for progressing any RI related workstreams. The RI Sub-Group has already demonstrated its effectiveness and efficiency by delivering on one of the main commitments made in both the WPP's RI and Climate Risk Policies – the development of reporting that allows the WPP to monitor and manage RI and Climate Risk risks. The sub-group now receives detailed RI and Climate Risk monitoring reports for each of the WPP's Sub-Funds on a quarterly basis.

In 2022 the WPP established its approach as a responsible investor involving oversight and monitoring of its voting policy, the establishment of an engagement framework, Environmental, Social and Governance (ESG) metrics monitoring and reporting output in accordance with the requirements namely the Task Force on Climate Related Financial Disclosures (TCFD). This guidance is currently out for consultation.

(TCFD - A description of the governance-related arrangements of an organisation to measure and managing climate-related risks and opportunities. A description of the processes in place for measuring and managing climate-related risks and opportunities).

WPP has developed an overarching Responsible Investment Policy. This policy has been developed in consultation with the Constituent Authorities and covers the following main areas:

- Introduction and Oversight
- Ambition and Beliefs
- Investment Strategy
- Climate Change
- Exclusions
- Implementation of Strategy
- Stewardship – Voting, Stock Lending and Shareholder Engagement
- Collaboration
- Monitoring, Reporting and Measurement

**Training**

WPP personnel must have appropriate knowledge and understanding of:

- the regulations and markets relating to the Local Government Pension Scheme;
- the pooling of Local Government Pension Funds; and
- relevant investment opportunities.

In order to achieve this, the WPP have developed a training plan that is designed to supplement existing Constituent Authority training plans. Local level training needs will continue to be addressed by Constituent Authorities while the WPP training plan will offer training that is relevant to the WPP's pooling activities.

The Host Authority arranges quarterly training sessions which cover major areas such as investments, administration, regulation requirements, government guidance and market developments. A training plan log is kept as a record of all the training completed to date and the training that is due to take place in the foreseeable future.

The training events primarily focus on meeting the training needs of members of the OWG and JGC, however Constituent Authorities are encouraged to invite Pension Committee Members, as well as Pension Board Representatives if they believe that the training would be beneficial to these individuals.

In accordance with the approved training plan, the following training was undertaken by both Committee and Board members during 2022/23.

| | |
|---|---|
| Jun-22 | Operator Procurement Workshop |
| Sep-22 | Private Markets as an Asset Class and the Role of the Allocator, Sustainable Active Equity Fund |
| Dec-22 | What Responsible Investment means for the Pool, Stewardship Code and TCFD Reporting |
| Feb-23 | Securities Lending, the Progress and Operation of Other Pools, Collaboration and Opportunities |

**Communication**

The WPP believes that effective internal and external communication is vital to achieving its objectives. The WPP has developed a communication policy which is reviewed annually. The policy outlines the WPP's:

• Target Audience
• Key Messages / Key Purpose
• Means of Communication
• Responsibilities
• Review & Reflection Process

The WPP also has a website and LinkedIn page which is regularly updated. The website (www.walespensionpartnership.org) covers a number of areas including

Governance, Publications (including WPP Policies), Sub Fund developments and News (including press releases).

**Risk Management**

Risk management is embedded throughout the governance of the WPP. Risks are considered in all of WPP's activities, especially when deciding on the development and structure and of sub funds. An extensive Risk Policy has been formulated which outlines how the WPP identifies, manages and monitors risks. In addition, a Risk Register has been developed to monitor and manage potential risks which is maintained and evaluated by a dedicated Risk Sub-Group on a quarterly basis.

**External Regulators**

Audit Wales as External Auditors to the WPP, reviews and comments on the financial aspects of Corporate Governance which includes the legality of financial transactions, financial standing, systems of Internal Financial Control and standards of financial conduct and fraud and corruption. The External Audit plan is approved by the Joint Governance Committee.

**WPP Policies**

The WPP's beliefs are the foundation for WPP's governance framework and have been used to guide all of the WPP's activities and decision making, including its objectives and policies. The WPP, in consultation with the Constituent Authorities, has developed a set of governing policies. In all instances the WPP's policies and procedures have been developed to either complement or supplement the existing procedures and policies of the Constituent Authorities. The WPP's key policies, registers and plans are listed below and can be found on the WPP website.


**Pooling progress to date**

The WPP aims to deliver investment solutions that allow the Constituent Authorities to implement their own investment strategies with material cost savings while continuing to deliver investment performance to their stakeholders. The WPP have made significant progress towards delivering on this objective. The launching of

WPPs first three active equity sub-funds in 2019/20, five fixed income sub-funds in 2020/21 and the Emerging Markets equity sub-fund in 2021/22, alongside the Constituent Authorities existing passive investments, has meant that that the WPP has now pooled 70% of assets.

As at 31 March 2023, WPP has total assets worth £22.5bn, £15.6bn of which sits within the pool, see breakdown below:

| Asset Class | Managed by | Launch Date | 31 March 2023 £000 | % |
|---|---|---|---|---|
| Global Growth Equity Fund | Link Fund Solutions | February 2019 | 3,274,153 | 14.6 |
| Global Opportunities Equity Fund | Russell Investments | February 2019 | 3,269,124 | 14.6 |
| UK Opportunities Equity Fund | Russell Investments | September 2019 | 760,143 | 3.4 |
| Emerging Markets Equity Fund | Russell Investments | October 2021 | 354,601 | 1.6 |
| Global Credit Fund | Russell Investments | July 2020 | 693,665 | 3.1 |
| Global Government Bond Fund | Russell Investments | July 2020 | 481,417 | 2.1 |
| UK Credit Fund | Link Fund Solutions | July 2020 | 520,721 | 2.3 |
| Multi-Asset Credit Fund | Russell Investments | July 2020 | 655,191 | 2.9 |
| Absolute Return Bond Fund | Russell Investments | September 2020 | 559,107 | 2.5 |
| Passive Investments | BlackRock | March 2016 | 5,074,366 | 22.6 |
| Investments not yet pooled | | | 6,812,892 | 30.3 |
| **Total Investments across all 8 Pension Funds** | | | **22,455,380** | **100** |

Investment assets split between City & County of Swansea Pension Fund and WPP

| | 31 March 2023 £000 | % |
|---|---|---|
| WPP Global Opportunities Equity Fund | 1,242,444 | 43 |
| WPP Fixed Income Funds | 126,131 | 4 |
| Passive Equities | 646,563 | 22 |
| Investments not yet pooled | 886,376 | 31 |
| **Total Investment Assets** | **2,901,514** | **100** |

The above table is an extract taken from the note on page 129 of the accounts and summarises City & County of Swansea Pension Fund's investment in the WPP, together with the assets that remain under the direct oversight of the Fund.

**Pooling costs**

Carmarthenshire County Council, as the Host Authority for the Wales Pension Partnership is responsible for providing administrative and secretarial support and liaising day to day with the Operator on behalf of all of the LGPS funds in Wales. The WPP budget is included in the WPP Business Plan and approved annually by all eight Constituent Authorities.

The Host Authority and External Advisor costs, the running costs are funded equally (unless specific projects have been agreed for individual Funds) by all eight of the Constituent Authorities and recharged on an annual basis. The amount recharged to the City & County of Swansea Pension Fund for the financial year ending 31 March 2023 was £158k, see table below.

Included in the management expenses is the cost of our involvement in the Wales Pension Partnership (WPP) collective Investment Pooling arrangements.

The table below reflects the costs incurred in financial years 2021/22 and 2022/23

| | **2021/22** | **2022/23** |
|---|---|---|
| | **£'000** | **£'000** |
| **WPP Oversight & Governance Costs** | | |
| Host Authority Costs | 135 | 158 |
| **WPP Investment Management Expenses** | | |
| Fund Manager Fees | 983 | 1,063 |
| Custody Fees | 252 | 224 |
| Transaction Costs | 1,165 | 846 |
| **Total** | **2,535** | **2,291** |

The oversight and governance costs are the annual running costs of the pool which includes the host authority costs and other external advisor costs. These costs are funded equally by all eight of the local authority Pension Funds in Wales. The investment management expenses are fees payable to Link Fund Solutions (the WPP Operator) and include fund manager fees (which also includes the operator fee and other associated costs), transaction costs and custody fees. These costs are based on each Fund's percentage share of WPP pooled assets and are deducted from the Net Asset Value (NAV).

**Transition Costs**

In addition to the WPP Oversight and Governance costs shown above, the Fund also incurred costs associated with the transition of its assets into the pool. To date, the

Fund has undergone three transitions in relation to the WPP, one in 2018/19 (Global equities) and a further two transitions in 2020/21 (Fixed Income).

The costs of transitioning assets can be categorised in terms of direct and indirect costs. Direct costs include the costs of appointing a transition manager to undertake the transition, together with any additional oversight of this process undertaken from a research and reflection perspective. Indirect costs are both the explicit and implicit costs of transition, such as commissions, spread and impact and opportunity costs known as Implementation Shortfall. Aside from the direct transition costs disclosed above, the majority of transition costs are directly attributable to the assets undergoing the transition and are therefore deducted from their value as opposed to a direct charge to the Fund.

There were no direct transition costs incurred by the City & County of Swansea Pension Fund in 2022/23.

**Ongoing Investment Management Costs**

The table below discloses the investment management costs split between those held by the WPP (including the passive equities) and those held outside of the WPP. Noting that only the Direct costs are chargeable to the Fund, the Indirect costs represent the underlying fees paid to fund managers and are disclosed as a note only in the accounts.

| | Asset Pool | | | Non-Asset Pool | | | Fund Total |
|---|---|---|---|---|---|---|---|
| | Direct £000s | Indirect £000s | Total £000s | Direct £000s | Indirect £000s | Total £000s | £000s |
| Management Fees | 777 | 2,801 | 3,578 | 5,915 | 267 | 6,182 | 9,760 |
| Performance Fees | 0 | 0 | 0 | 2,537 | 0 | 2,537 | 2,537 |
| Asset pool shared costs | 158 | 0 | 158 | | | | 158 |
| Transaction costs | 846 | 2,222 | 3,068 | 1,432 | 0 | 1,432 | 4,500 |
| Custody | 224 | 0 | 224 | 78 | 0 | 78 | 302 |
| Other | 286 | 0 | 286 | | | | 286 |
| **Total £000** | **2,291** | **5,023** | **7,314** | **9,962** | **267** | **10,229** | **17,543** |

## Asset Allocation and Performance

The following table shows how each of the investment mandates has performed during the year, with opening and closing values and one year performance included net of fees where available. In addition, the table splits out investments under pooled arrangements with the WPP and those that remain under non-pooled investment arrangements with the Fund's legacy managers as at 31st March 2023.

| **Asset Category** | **Opening Value** | | **Closing Value** | | **Performance (1 year)** | **Benchmark** | |
|---|---|---|---|---|---|---|---|
| **Pooled Assets** | **£'000s** | **%** | **£'000s** | **%** | **Net %** | **%** | |
| LF Wales PP Global Opportunities Fund | 1,329,086 | 45.4 | 1,230,954 | 42.4 | 0.19 | -1.43 | |
| LF Wales PP Multi Asset Credit Fund | 64,439 | 2.2 | 60,421 | 2.1 | -6.24 | 6.31 | |
| LF Wales PP Absoute Return Bond Fund | 64,378 | 2.2 | 65,711 | 2.2 | 2.07 | 4.29 | |
| Equity Protection Mandate (includes Derivatives) | 35,481 | 1.3 | 11,491 | 0.4 | - | - | |
| Blackrock ACS World Low Carbon Tracker Equity Fund | 702,440 | 24.0 | 573,830 | 19.8 | -4.13 | -4.68 | |
| Aquila Life All Stk UK ILG IDX S1 | 37,745 | 1.3 | 27,681 | 0.9 | -26.66 | -26.71 | |
| Aquila Life All Stk UK Gilt IDX S1 | 62,458 | 2.1 | 0 | 0.0 | - | - | |
| Aquila Life Overseas Bond IDX | 16,581 | 0.6 | 0 | 0.0 | - | - | |
| Ishares EM IDX FD GBP | 47,588 | 1.6 | 45,052 | 1.6 | -5.33 | -4.91 | |
| Capital Dynamics CEI WPP Infrastructure Fund | 0 | 0.0 | 0 | 0.0 | - | - | * |
| GCM Grosvenor WPP Infrastructure Fund | 0 | 0.0 | 0 | 0.0 | - | - | * |
| | | | | | | | |
| **Sub Total** | **2,360,196** | **80.7** | **2,015,140** | **69.4** | | | |
| **Assets not yet pooled** | | | | | | | |
| Schroders UK Property Fund | 65,010 | 2.2 | 58,917 | 2.0 | -12.30 | -14.47 | |
| Partners Group Global Property Fund | 13,753 | 0.4 | 11,306 | 0.4 | -9.56 | -14.47 | |
| Invesco Real Estate European Property Fund | 30,614 | 1.1 | 29,805 | 1.0 | 0.55 | -14.47 | |
| EnTrustPermal Global Absolute Return Fund | 28,276 | 1.0 | 27,840 | 1.0 | -1.54 | 2.27 | |
| Blackrock Appreciation Strategy Fund | 32,581 | 1.1 | 33,371 | 1.1 | 2.42 | 2.27 | |
| HarbourVest Private Equity Fund | 149,025 | 5.2 | 155,150 | 5.3 | -12.60 | 1.70 | |
| Blackstone Strategic Capital Holdings | 48,893 | 1.7 | 63,845 | 2.2 | -2.40 | 2.92 | |
| Igneo EDIF 11 Infrastructure Fund | 81,910 | 2.8 | 93,971 | 3.2 | 16.39 | 10.00 | |
| Blackrock Global Renewable Power Fund 111 | 4,703 | 0.2 | 13,217 | 0.5 | 26.99 | 10.00 | |
| Alcentra European Direct Lending Fund 111 | 15,884 | 0.5 | 16,808 | 0.6 | 3.07 | 7.00 | |
| CVC Credit Partners Europe Direct Lending Fund 11 & 111 | 19,547 | 0.7 | 31,586 | 1.1 | 9.33 | 7.00 | |
| GSAM Broad Street Loan Partners 1V | 20,817 | 0.7 | 22,327 | 0.8 | 19.32 | 7.00 | |
| Columbia Threadneedle - UK Housing Fund | - | - | - | - | - | - | * |
| Man Group - Community Housing Fund | 18,192 | 0.6 | 22,659 | 0.8 | 28.14 | 6.00 | |
| Manulife - Hancock Timberland & Farmland Fund | 133 | 0.0 | 136 | 0.0 | 6.36 | 18.14 | |
| Fidante - Global Bond Fund | 0 | 0.0 | 23,421 | 0.8 | - | - | * |
| T Rowe Price - Global Bond Fund | 0 | 0.0 | 163,889 | 5.6 | - | - | * |
| Allianz Global Investors - Trade Finance Fund | 0 | 0.0 | 50,928 | 1.8 | - | - | * |
| Pemberton - Trade Finance Fund | 0 | 0.0 | 51,231 | 1.8 | - | - | * |
| Cash (In-house and with Managers) | 32,133 | 1.1 | 15,967 | 0.6 | 0.09 | - | * |
| **Sub Total** | **561,471** | **19.3** | **886,374** | **30.6** | | | |
| **Total** | **2,921,667** | **100.0** | **2,901,514** | **100.0** | | | |

* Where Net Performance Return is unavailabe or where the fund is less than one year old

## Securities Lending

Northern Trust, Custodian for the Wales Pension Partnership manages a securities lending programme for the fund. Securities lending commenced in March 2020. Revenue is split on an 85:15 basis between WPP and Northern Trust with all costs for running the securities lending programme taken from Northern Trust's share of the fee split. A minimum of 5% of the nominal quantity of each individual equity holding is held back and a maximum of 25% of total AUM is on loan at any one time.

Total revenue of LF Wales Revenue during 2022/23 was £1,129,505 with £454,055,992 out on loan as at 31st March 2023.

**Progress 2022/23**

**Private Market Sub Funds**

Since appointing the first private market allocators in 2021/22, this year has seen significant work being done in the private markets area with the initial launch of WPP's Infrastructure and Private Credit investment programmes, being built by GCM Grosvenor and Russell Investments respectively. WPP's open ended infrastructure investments (IFM, Octopus and CBRE) will give the Constituent Authorities access to globally diversified core, income oriented assets and renewables and will complete the first phase of WPP's illiquid investments project.

Phase 2 incorporates Private Equity investments and in December 2022 Schroders Capital were confirmed as the selected partner to build WPP's Private Equity investment programme. Work to launch the fund is underway and first commitments are expected before the end of 2023/24. The final phase of the project, looking at Real Estate investments, has reached the mandate specification stage, with the solution expected to address Constituent Authorities requirements across Core UK property, Global property, and local investments in Wales. Procurements are expected to launch later this year.

**New Sub Fund – Sustainable Equity**

The Wales Pension Partnership ('WPP'), the pooling entity for the eight Welsh LGPS Funds, launched a Sustainable Global Active Equity sub-fund on its existing ACS platform. The launch further enhances the choice available to the WPP's constituent authorities and aligns with their evolving sustainability objectives.

The new sub-fund launched with £1.2bn, with all eight Welsh Funds participating and will see Russell Investments manage a diversified multi-manager sustainable active equity solution built to the WPP's bespoke requirements.

The solution includes five highly rated specialists (Sparinvest, Mirova, Neuberger Berman, Wellington and Artemis) identified and assessed by Russell Investments' proprietary research framework to ensure suitability and inclusion of truly sustainable offerings.

The solution also offers the flexibility to evolve as the WPP's requirements change, or as the sustainable landscape continues to develop, utilising Russell Investments' Enhanced Portfolio Implementation capabilities – an infrastructure enabling customised and efficient changes to the sub-fund with a centralised portfolio management process.

Link Fund Solutions, which was appointed by the WPP as its FCA authorised Operator in 2018, is responsible for the creation and operation of the new sub-fund. Russell Investments was first appointed as WPP's investment management solutions provider in 2018.

**Other Matters**

**UK Stewardship Code**

It was announced in March 2022 that Wales Pension Partnership became a signatory to the UK Stewardship Code.

https://www.frc.org.uk/investors/uk-stewardship-code/uk-stewardship-code-signatories

The 2020 UK Stewardship Code sets a high bar for stewardship, a standard which the Wales Pension Partnership (WPP) seeks to meet through its approach to responsible investment (RI). WPP were delighted to retain the signatory status for 2022.

The focus for the year was one of consolidation, reviewing the RI policies and building on the processes to ensure the pooling arrangement can better meet the needs of the beneficiaries. This year more focus was placed on the oversight and challenge of the providers, including undertaking deep dives into the climate and environmental, social & governance risks within the Sub-Funds. On WPP's behalf, Robeco voted on over 10,500 different resolutions and undertook 280 individual company engagements. The focus on climate change is strongly reflected in a number of Robeco's engagement themes and WPP continue to seek areas where it is believed that it can support real-world change.

It is recognised that there is still much more to do and, over the last 12 months, WPP have appointed a dedicated RI resource to help build on the RI commitments and meet the demands of stakeholders. WPP have also developed a Sustainable Active Equity strategy and a range of Private Markets funds, where consideration of stewardship and climate risk has been a focal point. There is also focus and effort on evaluating and communicating the progress the WPP has helped make on climate change over recent years.

WPP are proud of their identity as a pool and will continue to evolve in collaboration with all eight Constituent Authorities within Wales and the members of their pension schemes, to be effective stewards of their assets.

**JGC Scheme Member Representative**

In November 2021, the Inter Authority Agreement was amended to reflect the changes required to support the appointment of a Co-opted, non-voting Scheme Member Representative. The interviews took place in February 2022 and the following appointments were made :

SMR – Osian Richards
Deputy SMR – Ian Guy

**Pooling Risks**

The following risk table identifies two frequently monitored risks from a Fund perspective when managing the arrangements in place through transitioning assets into the WPP.

| **Risk Identified** | **Potential Consequences** | **Risk Score Range** | **Controls / Mitigation** |
|---|---|---|---|
| Financial losses experienced during the process of transitioning Fund assets into the Wales Pension Partnership (WPP) pool. | Poorly executed transitions of pension assets could result in high trading costs or loss of Net Asset Value in the short-term. | High | • The WPP and its constituent authorities take professional and timely advice from its advisors to ensure it is undertaking transition activity within an appropriate market environment.<br>• A reconciliation of assets transferred to the pool is undertaken by the investments team following each transition.<br>• A detailed report from the appointed transition experts commissioned by the WPP will be produced following each transition to provide added assurance to constituent Funds and their elected members. |
| Investment pooling with the Wales Pension Partnership (WPP) fails to deliver long-term investment returns. | The WPP fails to deliver long-term investment returns beyond what the Fund would have expected to generate had pooling not occurred. This would result in a longer payback period on the initial investment envisaged, and the likelihood of needing to increase employer contribution rates as a result in order to ensure pension liabilities are fully funded in the future. | High | • Substantial governance arrangements are in place at both officer (Officer Working Group) and shareholder (Joint Governance Committee) levels.<br>• Both the WPP and the constituent authorities take professional external advice on the opportunities for investment through the contractual relationship with Link Fund Solutions and Russell Investment advisors.<br>• The WPP, together with constituent authorities, monitor the performance of investments and hold Link and Russell to account as necessary. |

Whilst the risk score range attributable to the above is categorised as high, the Fund is comfortable with the level of mitigation in place in which to manage them. The Fund recognises that the process of transitioning assets will continue for a number of years and so this risk will continue to be monitored as appropriate until such time that we feel it can reduced to an acceptably low level or removed altogether. The risk of the WPP failing to deliver long-term performance remains high as this underpins the justification for pooling collaboration generally. As such, this risk is likely to remain in place for the foreseeable future. However, as the WPP continues to establish itself and the governance arrangements mature it is expected that this level of risk will be reduced to an acceptable level.

**City & County of Swansea – WPP Progress Update**

City & County of Swansea Pension Fund currently has three sub-funds invested via WPP, a Global Equity portfolio and two fixed income mandates – a Multi Asset Credit fund and an Absolute Return Bond fund. Together with the Blackrock Passive equity fund, this equates to 69% (£2b) of the fund being pooled as at 31st March 2023.

In 2023/24 the fund will be participating in the new Sustainable Active Equity Sub Fund currently being developed by Russell Investments, as part of the Net Zero path.

The fund also committed to the following WPP private market mandates during 2022-23 :

- GCM Grosvenor WPP Global Infrastructure Fund - £20m
- Capital Dynamics CEI (WPP) Infrastructure Fund - £10m

As part of the WPP, City & County of Swansea officers participate in the Responsible Investment (RI) Sub Group. The group meets twice a quarter and is responsible for progressing any RI related work streams.

More detailed information can be found in WPP's Annual Return which is published on the WPP website - https://www.walespensionpartnership.org/

**Local Pension Board - Annual Report 2022/23**

**Introduction**

In April 2016, the LGPS Scheme Advisory Board (SAB) was established as a statutory body, to encourage best practice, increase transparency and co-ordinate technical and statutory issues at national level. To assist each Pension fund achieve these standards each Pension Fund has a new Local Pension Board working to standard guidance set nationally.

In addition, 2015 saw the Pensions Regulator's (tPR) role extended from private sector pension to also cover public sector schemes. New procedures were introduced during the year to meet the requirements of the Pensions Regulator's Code of Practice, including the reporting of statutory and regulatory breaches such as late payment of contributions.

The purpose of the board is not to be involved in the day to day running of the Pension Fund but rather to assist the Administering Authority in the work carried out by the Fund and ensure that it complies with laws and regulations, including the requirements of the Pensions Regulator.

The Regulator has set clear standards which it expects Pension Funds to meet and will place reliance on the Local Pension Board to ensure these standards are met and that they assist the Pension Fund in continually improving its operations. Since the Board was established the Board has attended appropriate training to understand requirements of the role, including the specific requirements of the Pensions Regulator

**Details of Membership**

The Board consists of 6 members, 3 member representatives and 3 employer representatives. All members are unpaid volunteers. During 2022/23 the Board was made up of the following members :

| Type | Status | Name | Organisation |
|---|---|---|---|
| Employer | New | Cllr Ryland Doyle | City & County of Swansea |
| Employer | Outgoing 21/22 | Cllr Peter Jones | City & County of Swansea |
| Employer | Outgoing Chair 21/22 | Cllr Alan Lockyer | Neath County Borough Council |
| Employer | New | Cllr Simon Knoyle | Neath County Borough Council |
| Employer | | Vacant | |
| Member | Current Chair 22/23 | Mr Ian Guy (Chair) | Union nominated representative |
| Member | Current | Mr David White | Union nominated representative |

| | | | |
|---|---|---|---|
| Member | Current | Ms Rosemary Broad | Union nominated representative |

**Summary of 2022/23**

During the year the Local Pension Board have reviewed the Pension Fund Committee Reports around:

- Breaches Reporting
- CCS PF Business Plan 2022/23
- The 2021/22 Annual Report and Statement of Accounts
- The Wales Audit Office Audit Plan and the ISA 260 Audit Report
- Funding Strategy Statement
- Investment Strategy Implementation Update
- Net Zero Investment Strategy
- Trustee Training
- Administering Authority Discretions
- Triennial Valuation Results as at 31st March 22
- Pension Administration Resources
- Wales Pension Partnership – Asset Pooling Updates
- Wales Pension Partnership – Annual Report & Accounts and Business Plan
- Quarterly Investment Managers Reports

**Attendance at Meetings**

The terms of reference for the Board state that there should be a minimum of 2 meetings per financial year. The Local Pension Board met on the following dates in 20/23 :

- 1st April 2022
- 27th July 2022
- 5th October 2022
- 12th January 2023

Attendance at the above meetings was recorded at 54% by the appointed Board members.

**Skills & Development Activities**

As the work of the Local Pension Board continues to develop, there is understandably a focus on training and skills and knowledge attainment.

**Local Pension Board Member Training**

At the meeting of the Local Pension Board on the 1st April 2023, The Chief Treasury and Technical Officer presented a report as part of the Business Plan outlining the importance of member training. The training ensures compliance with the CIPFA Public Sector Pensions Finance Knowledge & Skills Code of Practice and the requirements for tPR.

Training Undertaken in the last 12 months as part of the Wales Pension Partnership Training programme included :

| **Topic** | **Product Knowledge** |
|---|---|
| Private Markets | Private markets as an asset class, the role of the Allocator and the proposed Sustainable Active Equity fund |
| Responsible Investment | What responsible investment means for the Pool, TCFD Reporting (Taskforce on Climate-related Financial Disclosure), the Stewardship Code |
| Pooling | Securities Lending, collaboration and opportunities, the operation of other Pools. |
| Guidance, Regulatory & Best Practice | The role of the Operator and the procurement process. The Governments Levelling Up agenda |

In addition, the following training was identified as appropriate training to be undertaken by members of the Local Pension Board :

- LGE (Local Government Employers) Trustee Fundamentals day 1, 2 & 3
- ESG training
- Pension Governance - the role of the Committee and the Board
- Pension Accounting & audit standards
- Actuarial valuation methodologies

Any other training identified by the Deputy Section 151 officer which is considered appropriate.

**Budget**
The Board agreed a budget of £6k per annum to assist with its operation.
In 2022/23 the Board incurred £5k in costs.

# Annual Governance Statement 2022/23

## 1. Scope of Responsibility

1.1 The City and County of Swansea is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government (Wales) Measure 2009 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

1.2 In discharging this overall responsibility, the City and County of Swansea is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

1.3 The City and County of Swansea adopted a Code of Corporate Governance on 24 August 2017, which is consistent with the principles of the new CIPFA/SOLACE Framework '*Delivering Good Governance in Local Government 2016'.* A copy of the Code can be found on the Council's website.

## 2. The Purpose of the Governance Framework

2.1 The governance framework comprises the systems and processes, culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

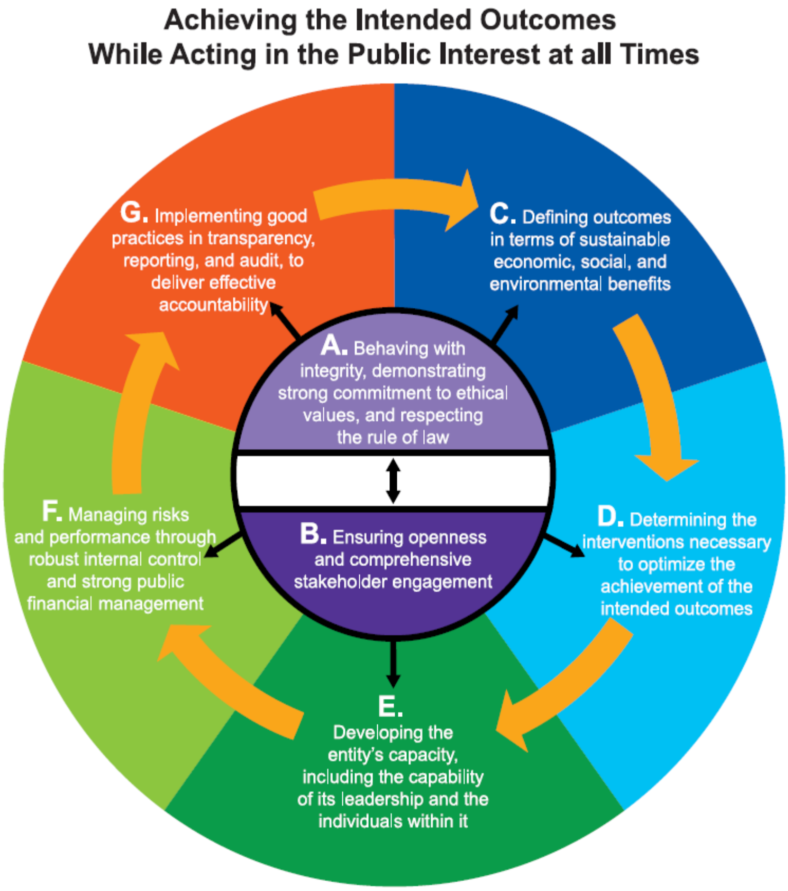
2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively and economically.

2.3 The governance framework has been in place at the City and County of Swansea throughout the year ended 31 March 2023 and up to the date of approval of the Statement of Accounts.

## 3. The Governance Framework

3.1 The Council has adopted a Code of Corporate Governance based on the "*Delivering Good Governance in Local Government"* framework published by CIPFA and SOLACE in 2016.

# Annual Governance Statement 2022/23




3.2 This Statement explains how the Council has complied with the Governance Framework and meets the requirements of the Accounts and Audit (Wales) Regulations 2014 (as amended by the Accounts and Audit (Wales) (Amendment) Regulations 2018. The Council aims to achieve a good standard of governance by adhering to the 7 key principles of the CIPFA/Solace 2016 Guidance.

3.3 The 7 key principles are:

A) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
B) Ensuring openness and comprehensive stakeholder engagement.
C) Defining outcomes in terms of sustainable economic, social and environmental benefits.
D) Determining the interventions necessary to optimise the achievement of the intended outcomes.
E) Developing the entity's capacity, including the capability of its leadership and the individuals within it.
F) Managing risks and performance through robust internal control and strong public financial management.
G) Implementing good practices in transparency, reporting and audit to deliver effective accountability.

3.4 The application of the principles of good governance is summarised below which sets out supporting information for the 7 key principles.

# Annual Governance Statement 2022/23

3.5 **Note - The issues set out within the Governance Statement have been materially affected by the COVID-19 pandemic, although the impact from the pandemic had lessened during the course of 2022/23. However, it should be noted that the Statutory Governance Chief Officers and CMT continued to maintain corporate grip to ensure that sufficient governance was maintained throughout this unprecedented crisis and during the recovery.**

# *Annual Governance Statement 2022/23*

**Principle A**

## Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

**Sub Principles:**

### Behaving with Integrity

- The behaviour and expectations of officers/members is set out in the Constitution, Officer and Member Code of Conduct and Protocol.
- The Monitoring Officer provides training on the code of conduct and ensures the highest standards of conduct by the authority, members and officers – including use of Council email protocol.
- The Standards Committee is responsible for monitoring and scrutinising the standards of Members.
- Member led authority principles with training to senior officers and Cabinet members.
- Compliance with a suite of policies/rules set out in the Constitution.
- The Constitution sets out requirements as to gifts and hospitality and there are regular reminders circulated to both officers and members.
- Adoption of Member Dispute Resolution Protocol.
- Officers/members declarations of interest.
- Officer Secondary Employment Policy.

### Demonstrating strong commitment to ethical values

- The Council's appraisal and recruitment system based on competencies, training and objectives underpin personal behaviours with ethical values.
- Commitment to working to promote high standards of performance based on the Nolan principles.
- Adoption of Welsh Government ethical ways of working.
- The Swansea Pledge.
- The Constitution contains comprehensive Procurement and Financial Procedure Rules.

### Respecting the rule of law

- The Statutory officers and Members ensure compliance with legislative and regulatory requirements via a robust framework including the scheme of delegation, induction training, standing procedures and rules set out in the Constitution.
- Reports to Committees have legal/finance clearance.
- Robust Scrutiny and Call-In function.
- Robust audit challenge.
- External challenge from auditors, Ombudsman and other external agencies.
- The Monitoring Officer ensures the Council complies with statute and reports on any maladministration.
- An effective anti-fraud and corruption framework supported by a suite of policies i.e. whistleblowing.

# Annual Governance Statement 2022/23

## Principle B

## Ensuring openness and comprehensive stakeholder engagement

**Sub Principles:**

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### Openness

**How we do this:**

- The Council is committed to ensuring an open culture evidenced by open meetings and publication of agendas and minutes.
- A Forward Plan showing key decisions to be made by Council and Cabinet is published.
- There is appropriate Consultation and Engagement supporting the decision making process including annual budget consultation, co-production, engagement with trade unions and engagement with Disability and LGBT communities.
- There are Public questions at Council and Cabinet.
- There is engagement with children and young people to meet the requirement of the UNCRC.
- There is pre-decision scrutiny of Cabinet decisions and Call-In procedure
- Corporate risks are published.

### Engaging comprehensively with institutional stakeholders

- The Council adopts a Team Swansea approach working as a whole Council and effectively engages with stakeholders to ensure successful and sustainable outcomes by:
  - targeting communications;
  - effective use of social media;
  - formal and informal meetings with key stakeholder groups i.e. External auditors, Welsh Government, Health board.
- The Council has an extensive range of partnerships to support the delivery of the Council's objectives including:
  - The Public Services Board.
  - The Safer Swansea Partnership.
- The Council has adopted the Community/Town Council Charter and facilitates the Community/Town Council forum meetings with the 24 Councils.

### Engaging stakeholders effectively, including individual citizens and

- The Council has appropriate structures in place to encourage public participation which is used to inform proposals and key decisions including:
  - A Consultation and Engagement Strategy.
  - A Co-production Framework.
  - "Have your Say" consultations on website.
  - The Scrutiny Programme Committee invites stakeholder contributions and participation.
  - A Staff Survey with responses considered by CMT/Senior Management.
  - A Complaints Policy and Annual Report to assess organisational learning and change.
  - The appointment of Councillor Champions who provide a voice for under-represented groups.
  - An Integrated Impact Assessment to assess the equality, socio-economic and sustainability impacts on people with protected characteristics and future generations.

**Principle C**

## Defining outcomes in terms of sustainable economic, social and environmental benefits

**Sub Principles:**

**How we** | **Defining outcomes** | **do this:** | **Sustainable economic, social and environmental benefits**



### Defining outcomes

- The Council has a clear vision which is set out in the Corporate Plan *Delivering a Successful & Sustainable Swansea* which prioritises 6 Well-being Objectives.
- Delivery of the Corporate Plan is monitored through the Council's Performance Management Framework with quarterly and annual performance monitoring by CMT/Cabinet.
- There is an Annual Performance Review.
- Annual Service Plans address the sustainability of service delivery along with key corporate priorities.
- There is monthly Performance and Financial Monitoring meetings held for each Directorate.
- There is a Corporate Risk Management Policy ensuring consistent application of risk registers and terminology and audit scrutiny.

### Sustainable economic, social and environmental benefits

- The Council takes a long term and sustainable view and balances the economic, social and environmental impact of policies and plans by:
  - Medium Term Financial Planning covering 3 financial years approved annually by Council.
  - Refresh of the Corporate Plan annually
  - Annual service planning.
- The Council's Corporate Transformation Plan to modernise and transform the council to meet the longer term challenges and ensure sustainable provision of services.
- There is public and stakeholder engagement.
- Council has passed a motion on tackling the climate emergency and has set a target and means to achieve net zero carbon emissions by 2030, including expanding our fleet of green vehicles, increasing tree cover, installing solar panels and improving energy efficiency.

**Principle D**

## Determining the interventions necessary to optimise the achievement of the intended outcomes

**Sub Principles:**

| Determining interventions | Planning interventions | Optimising achievement of intended outcomes |
|---|---|---|

**How we do this:**

**Determining interventions**

- The Council ensures that decision makers receive objective and rigorous analysis of options with intended outcomes and risks by:
  - written reports from Officers;
  - report clearance by legal, finance and Access to Services officers;
  - embedding of impact assessment in decision making process;
  - clear option appraisals reflected in reports detailing impact, risk and any best value considerations.
- The results of consultation exercises are fully considered by decision makers with consultation responses set out in report.
- Consultation on budget proposals is extensive and includes roadshows with staff.
- The Council has a Corporate Risk Management Policy.

**Planning interventions**

- The Council has established robust planning and control cycles covering strategic and operational plans, priorities and targets which is achieved through:
  - A timetable for producing and reviewing plans on an annual basis.
  - Working with a consultation and engagement strategy.
  - Quarterly and annual performance monitoring including achievement of national and local performance indicators.
- There is robust Medium Term Financial Planning.
- There is an Annual budget setting process in place including an extensive consultation exercise.

**Optimising achievement of intended outcomes**

- The Council ensures the Medium Term Financial Strategy integrates and balances service priorities, affordability and other resource constraints by setting out any shortfall in resources and spending requirements in the context of service priorities.
- To ensure that the budget process is all inclusive there is regular engagement with members with robust scrutiny by the Service Improvement & Finance Scrutiny Performance Panel.
- Corporate Transformation Plan.
- The Council ensures the achievement of "social value" through the effective commissioning of service in compliance with CPR's e.g. Beyond Bricks and Mortar (community benefit clauses in council contracts).

**Principle E**

## Developing the entity's capacity, including the capability of its leadership and the individuals within it.

**Sub Principles:**

**How we do this:**

| Developing the entity's capacity | Developing the capability of the entity's leadership and other individuals |
|---|---|

**Developing the entity's capacity**

- The Council aims to ensure that Members and Officers have the right skills, knowledge and mind set to operate efficiently and effectively to achieve intended outcomes by:
  - adopting a comprehensive induction training programme for members and officers;
  - a Councillor Training Programme based on a Training Needs Assessment;
  - annual performance review of staff;
  - adoption of a mentoring scheme.
- Operational capacity is supported by the Transformation & Future Council objective to help tackle rising demand and reducing revenue budget.
- The Organisational Development Strategy aims to develop the right staff with the right skills to work in a sustainable way.
- There is engagement with benchmarking groups such as APSE, CIPFA.
- There is collaborative and partnership working including the Public Service Board, Regional Partnership Board, ERW.

**Developing the capability of the entity's leadership and other individuals**

- Effective shared leadership and understanding of roles and objectives is supported by:
  - The Leader and Chief Executive have clearly defined leadership roles.
  - The Chief Executive Appraisal and Remuneration Committee have responsibility for the appraisal of the Chief Executive.
  - There has been member led training with both senior officers and cabinet members.
  - There are regular 1-2-1 meetings with the Leader, Cabinet members, Chief Ex, CMT and Heads of Service.
  - The Transformation and Future Council objective and the Organisational Development Strategy.
- The Constitution sets out the Scheme of Delegation which is regularly reviewed.
- Annual appraisal and performance review.

# Annual Governance Statement 2022/23

**Principle F**

## Managing risks and performance through robust internal control and strong public financial management

**Sub Principles:**

### Managing risk

- Risk management is an integral part of decision making supported by:
- A Corporate Risk Management Policy with clear nominated officer responsibility.
- New risk register application.
- Monthly review of risks by CMT.
- Monthly review of Directorate Risks at PFM meetings.
- The publication of Corporate Risks allowing greater scrutiny.
- The Governance & Audit Committee regular review of risks (see paras 8.34 & 9)

### Managing performance

- There are quarterly performance monitoring reports to Cabinet.
- Each Head of Service produces an Annual Service Plan setting out clear objectives and SWOT analysis of their service.
- There are regular reports as to performance indicators and milestones against intended outcomes.
- There is robust scrutiny challenge by pre decision scrutiny, inquiries and Call-In.
- Monthly Directorate Performance and Financial Monitoring meetings.

### Robust internal control

- CIA provides independent assurance on the adequacy of internal control through the IA plan approved by the Governance & Audit Committee.
- The Governance and Audit Committee provides independent assurance of the adequacy of the risk management framework, the internal control environment and the performance assessment of the Council.
- The Council is dedicated to tackling fraud and corruption and has an Anti-Fraud and Corruption Policy and Whistleblowing Policy
- The Governance & Audit Committee receives an annual report on the fraud function and Anti-Fraud Plan.
- The Internal Audit Plan is approved by Governance & Audit Committee.

### Managing data

- The Council demonstrates effective safeguarding of personal data and information by:
  - The appointment of a Data Protection Officer.
  - The adoption of a Data Protection Policy.
  - An Information Governance Unit and Senior Information Risk Officer.
  - An information asset register
  - The Council is signed up to the Wales Accord for Sharing Personal Information (WASPI).
  - Data Protection training is

### Strong public financial

- The Council ensures both long term achievement of outcomes and short term performance through the delivery of the Medium Term Financial Plan.
- Financial management is integrated at all levels of planning and control by:
  - financial implications are included in all decision making reports;
  - there is a specific Corporate risk around Financial Control and MTFP owned by the S151 officer.

# Annual Governance Statement 2022/23

**Principle G**

## Implementing good practices in transparency, reporting and audit to deliver effective accountability

**Sub Principles:**

| Implementing good practice in transparency | Implementing good practices in reporting | Assurance and effective accountability |
|---|---|---|

**How we do this**



**Implementing good practice in transparency**

- The Council aims to present understandable and transparent reports for both stakeholders and the public which is supported by:-
  - A Report Authors Protocol which ensures consistency in reports.
  - A Clear Writing guide for Officers.
  - All reports are signed off by Cabinet Member, legal, finance and Access to Services officers.
  - The Council has a Publication Scheme which is available on the website.
  - Where possible exempt reports are split so that the main report can be heard in public with confidential information being a separate exempt report.
  - Publication of delegated decisions.
  - Reports are published on the website and agendas are published in the Welsh Language.

**Implementing good practices in reporting**

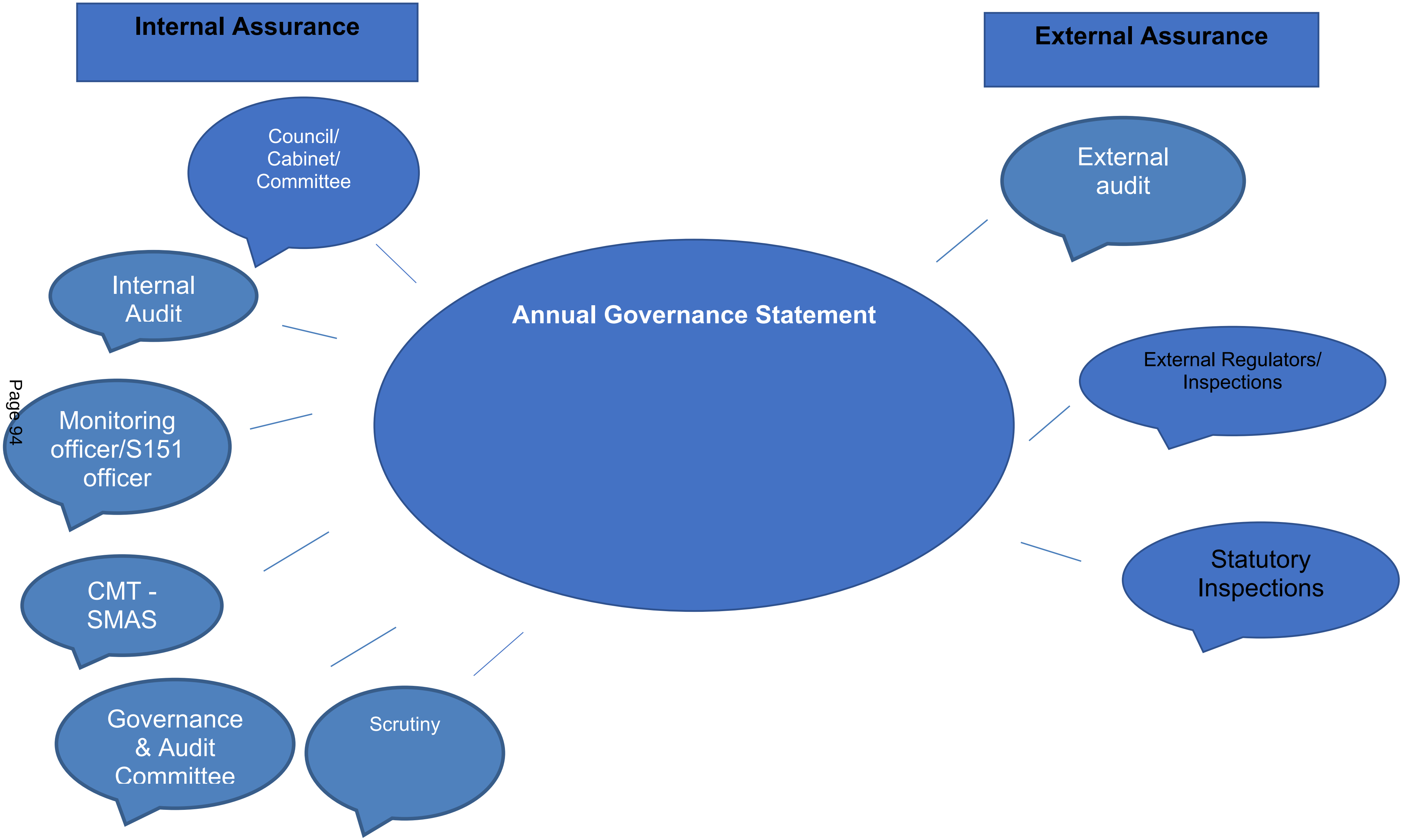
- The Council reports at least annually on performance as evidenced by:
  - Quarterly and annual reports to Cabinet on performance.
  - An annual Review of Performance report setting out how the Council has performed in meeting its Corporate Objectives.
  - The Annual Statement of Accounts audited by external auditor and approved by Council and published demonstrates how the Council has achieved performance, value for money and the stewardship of resources.
- Senior Managers complete Self-Assessment & Management Assurance Statements (SMAS) reflecting performance against governance, risk management and internal control. The SMAS contribute to the Annual Governance Statement.
- The Council have adopted the Code of Corporate Governance based on CIPFA framework.

**Assurance and effective accountability**

- Through the assurance mechanisms set out below the Council can demonstrate effective accountability:
- The Internal Audit work plan provides assurance on the council's control mechanisms, risk management and governance arrangements which is monitored by the Governance & Audit Committee.
- All agreed actions from Internal Audit reviews are monitored.
- Reports and plans to implement Audit Wales and Internal Audit recommendations reported (as relevant) to Scrutiny and Governance & Audit Committee.
- Peer Review and inspection from regulatory bodies and external compliance reviews which are reported to CMT/Cabinet and used to improve service delivery.
- There is Scrutiny and audit review of Audit Wales reports and action plans.
- Assurance on risks associated with delivery of services through third parties is achieved by:
  - Commissioning and monitoring arrangements and compliance with Contract Procedure Rules.
  - SMAS reflect risk assessments in relation to partnership/third party working.

Appendix 1

# *Annual Governance Statement 2022/23*

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**4. Review of Effectiveness**

4.1 The City and County of Swansea annually reviews the effectiveness of its governance framework including the system of internal control.

(a) Statements from Corporate Management Team (CMT), Statutory Officers, the Internal Audit Manager and the Audit Committee.
(b) External organisations i.e. Audit Wales and regulators.
(c) Core evidence mapped to Council, Cabinet and Committees.

4.2 The following highlights the review of the governance framework in order to compile the Annual Governance Statement and sets out the assurance of CMT, officers and external organisations.

**INTERNAL SOURCES OF ASSURANCE**

**5. Corporate Management Team/SMAS**

5.1 The Senior Management Assurance Statements (SMAS) form part of the governance assessment framework. Through the SMAS each Director responds to 15 good governance statements covering:

- Risk Management.
- Partnership/Collaboration governance.
- Compliance with Policies/Rules/Legal & Regulatory requirements.
- Programme and Project Assurance.
- Budget Monitoring.
- Planning and Decision Making.
- Internal Control Environment.
- Fraud & Financial Impropriety.
- Performance Measurement & Management.

5.2 The Directors assess assurance using a 5 point maturity scale for their areas of responsibility ranging from “Not in place” to “Embedded”. Directors are expected to consult with their Heads of Service to support a directorate approach to each statement.

5.3 The assurance statements summarised by 9 categories showed overall in 2022/23 that there were no categories that were deemed as being “Not in place” and 1 (1.4%) with “Limited Application” (Performance Measurement & Management - Performance Reviews). A small number 8 (11.4%) of categories were regarded as showing “Mixed Application”. These categories were: Compliance Improvement (3); Planning and Decision Making - Service Planning (1); Planning and Decision Making - Future Generations & Equality (1); Performance Measurement & Management (1); Performance Measurement & Management - Performance Reviews (3). These will be captured in the significant governance risks for 2022/23 where relevant. However, 39 (55.7%) demonstrated “Strong Application” and 22 (31.4%) were described as “Embedded.

5.5 The Council established an Annual Governance Group for the purpose of challenging the SMASs and assisting and overseeing the development of the Annual Governance Statement. The Group is chaired by the Interim Director of Corporate Services and members include the Council’s Section 151 Officer and Monitoring Officer, as well as the Strategic Delivery & Performance Manager and a member of the Governance & Audit Committee. The Chief Internal Auditor attends in an advisory capacity. The Annual Governance Group met on 15th March 2023 to review the draft SMAS submitted by each Director. CMT reviewed the draft SMAS and the findings from the Annual Governance Group on 29th March. The Annual Governance Group reviewed the revised SMAS and the draft Annual Governance Statement on 19th April 2023. The Significant Governance Issues for 2023/24 as identified by CMT after reviewing the draft Annual Governance Statement on 26th April 2023 are those set out below.

## 6. The Monitoring Officer

6.1 The Chief Legal Officer is the Monitoring Officer with a specific duty to ensure that the Council, Officers and Members maintain the highest ethical standards of conduct. The Standards Committee has the responsibility for monitoring the ethical standards of conduct and to deal with any breaches of the Code referred to the Committee by the Public Service Ombudsman (PSOW).

6.2 During 2022/2023 the Monitoring Officer was notified of 12 complaints relating to members conduct by the PSOW. The PSOW decided not to investigate 11 of those complaints. 1 complaint is being investigated and is still outstanding. In relation to complaints reported to the PSOW the Committee receive regular updates as to the status of complaints. Regular PSOW bulletins are circulated to all councillors as to Code of Conduct issues when issued.

6.3 The Local Government and Election (Wales) Act 2021 brought in new duties for Standards Committees and Group Leaders in Wales from May 2022. The Committee considered changes to their Terms of Reference on 9 March 2022 so as to comply with the legislation. Council approved the changes to the terms of reference on 24 May 2022.

6.4 The Chair presented the Standards Committee Annual Report 2021/22 to Council on7 July 2022. The Report reflected the Committee’s view that generally the conduct of members was high..

6.5 In February and March 2023 the Standards Committee interviewed the Leader and all Leaders of the Opposition Groups. The discussion with group leaders focused on their new duties under the legislation and how they would meet that duty. The Monitoring Officer is therefore of the view that the Authority is in a good position to comply with the new legislative requirements.

6.6 The Monitoring Officer has not had to issue any statutory Section 5 Local Government and Housing Act 1989 reports during 2022/23

6.7 Members and co-opted members are required to register their personal interests in any business of the authority and to comply with the rules set out in the Members Code of Conduct. Members must also comply with the rules around Gifts and Hospitality.

6.8 All staff are required to disclose any personal interests which actually or potentially conflict with their duties to the council and to register any secondary employment.

6.9 Substantial work on the Council Constitution has been progressed with some major amendments being made at the Annual Meeting of Council on 24 May 2022 following the implementation of the Local Government and Elections (Wales) Act 2021. These included a Multi-Location Meeting Policy, a Petition Procedure and an index to the Constitution. Further constitutional changes will be progressed during 2023/24.

**7. The S151 Officer**

7.1 Quarterly **Financial Monitoring Reports** were presented to Cabinet throughout 2022/23. The third quarter report identified a net £8.995m of shortfall in service revenue budgets, almost entirely in relation to the recently accepted 2022/23 pay award together with anticipated costs/loss of income as a result of COVID19 which when combined with a forecast £2.0m shortfall in Council Tax collection leads to a total shortfall of £10.995m. To date the amount actually claimed in relation to COVID related additional costs/loss of income is £9.3m. It is assumed that all the TTP costs will also be recovered and for 2022/23 some additional grant is £3.8m. It is also possible that Council tax losses, or part of them at least, will be met by future WG grant support, but this is yet to be assured. In addition as identified above further mitigation is anticipated from the Apprenticeship/Inflation provision of £3.13m and Contingency fund of £5.457m. Taking account all of these mitigations and including the shortfall in Council Tax collection this results in a net forecast underspend for the council of £1.345m (after contingency and other reserve draws). Ongoing uncertainty over NDR receipts (after a succession of complicated interim relief schemes may likely need to utilise this residual under spend after reserve draws).

7.1.1 The current indication is that, for 2022/23, and for 2023/24 there needs to be continued targeted mitigating action and delivery of savings proposals to help reduce the overall overspend or likely future overspends. It looks inevitable major some significant draws from contingency and earmarked reserves will be needed to achieve a fully balanced budget for the year but this was somewhat anticipated throughout the year. Any inroads to net spending will reduce the necessary draw from reserves and preserve the amount of reserves available to carry into 2023/24 and the anticipated need for a repeat of the mitigation strategy given our biggest cost driver, local government and teacher pay, remains far from resolved, agreed or fully funded.

7.2 A verbal **Mid Term Budget Statement 2022/23** was presented to Council in December 2022 given the substantially delayed settlement. The written report on the **Review of Reserves** was presented to Council on 06/10/22, which provided a strategic and focussed assessment of the current year's financial performance and an update on strategic planning assumptions over the next 3 financial years.

7.2.1 The conclusion of the Statement was that the Council could potentially struggle to deliver within the overall resources identified to support the budget in 2022/23 and beyond unless the local government settlement was continued to be permanently much enhanced and preferably routinely multi-year (the quantum was duly confirmed much enhanced by March 2022 and pleasingly was a three year settlement albeit heavily front loaded then dropping off significantly). The likely projected outturn was dependent upon the ability of the Council to reduce and restrict ongoing expenditure across all areas, its ability to recover expenditure and lost income from Welsh Government and continued reliance on active capital financing strategies to maximise the short term savings to enable the capital equalisation reserve to be bolstered for the medium to long-term recognising the major future capital commitments already irrevocably made by Council decisions on the size of the capital programme and associated borrowing.

7.2.2 The Revenue and Capital Budgets were approved by Council on 02/03/23. They continued to set out an ongoing ambitious programme of approved capital spending plans and future capital spending plans (partly financed by the Swansea Bay City Deal but predominantly by unsupported borrowing now fully externalised at fixed rates for up to 50 years de-risking general fund exposure to future interest rate movements) which would require modest budget savings to be delivered to help facilitate that major capital investment and economic regeneration stimulus. Future capital spending plans of up to a further £50m are nominal only at present and require financing from capital borrowing and revenue headroom to be yet created with only a temporary and interim reserve funding solution  These plans are likely to still be affected by ongoing ripple effects of COVID-19 and much wider economic aftershocks . It remains entirely unclear as to the scale of additional spending, the loss of income, and the funding arrangements for reimbursement in part, or in full, that the Authority faces in responding both locally, with partners, and supporting the national strategic response to COVID-19 and the economic outlook.

7.2.3 The impact will be very financially material on the 2022/23 accounts but the prioritisation of the response to COVID-19 and wider economic crises may have impaired our ability to fully prepare the accounts to our normally exceptionally high standards (and timeliness) in line with accounting standards. Any necessary deviation caused will be disclosed separately throughout these accounts.

7.3 The **Medium Term Financial Plan 2024/25 – 2026/27** was approved by Council on 02/03/2023. The Plan outlined the range of options around funding faced by the Council over the period, the key reliance on the scale and value of future local government finance settlements and the strategy to be adopted to address the various scenarios as well as the inherent risks to the success of the adopted strategy.

7.3.1 All spending and funding assumptions were set before the ongoing economic scale of the repayment of costs incurred during COVID-19 pandemic was fully apparent, exacerbated by the late nature of the UK and Welsh government budget setting processes. Whilst the Authority will consider future spending plans in line with projected funding announcements there is no indication at present that any of the assets of the Authority may be impaired as a result of a need to close facilities and reduce the level of service provision.

7.4 Each Corporate Director held monthly **Performance and Financial Monitoring** meetings where Chief Officers and Heads of Service reported on progress in terms of continuous improvement and budgets.

7.5 **Audit Wales Annual Audit Summary 2023**. Audit Wales outlined that given the continuing slippage arising from the COVID-19 pandemic and national issues relating to the disclosure of infrastructure assets, the Welsh Government provided flexibility for both the accounts preparation and the audit deadlines, extending the latter from 30 November 2022 to 31 January 2023. The draft accounts were presented on 16 November 2022 and the Auditor General gave an unqualified true and fair opinion on the Council's financial statements on 31 March 2023

7.5.1 The Auditor General certified that the Council had met its remaining Local Government (Wales) Measure 2009 duties for the financial year 2021-22, as saved by an order made under the Local Government and Elections (Wales) Act 2021.

7.5.2 Audit Wales reviewed the arrangements the Council has put in place to secure value for money in the use of its resources. Their work was focussed on the Council's arrangements on implementing the Local Government and Elections Act (Wales) 2021, carbon reduction plans and the financial position; the outcome from this work were reported to Governance & Audit Committee on 27th September 2022, 9th February 2023 and 8th March 2023 respectively. Audit Wales also carried out studies across the local government sector to make recommendations for improving value for money.

7.6 The Council is the Administering Authority for the City and County of Swansea Pension Fund (the Pension Fund) and Swansea Bay Port Health Authority (SBPHA). The governance arrangements detailed in this Annual Governance Statement apply equally to the Council's responsibilities to the Pension Fund and SBPHA. There are further specific requirements for the Pension Fund which are to produce:

- Investment Strategy Statement.
- Governance Compliance Statement
- Internal Dispute Resolution Process.
- Funding Strategy Statement.
- Administration Strategy Statement.

- A full actuarial valuation to be carried out every third year.
- Communications Strategy Statement.

7.6.1 In 2022/23, the SBPHA reviewed and implemented a revised model of service delivery.

**8. Chief Auditors Opinion**

8.1 System of internal control are designed to help the Council manage and control the risks which could affect the achievement of the Council's objectives. However it is not possible to eliminate all risks completely.

8.2 As a result, Internal Audit can only provide 'reasonable' assurance that the systems of internal control within the areas of the Council reviewed are operating adequately and effectively.

8.3 The Internal Audit Section awards an assurance level for all audits undertaken.

8.4 The table below provides a summary of the assurance levels awarded to the audits completed in 2022/23:

| **Audit Assurance Results 2022/23** | | |
|---|---|---|
| Total Number of Audits Finalised | 73 | |
| **Assurance Level** | **Number** | **%** |
| High Assurance | 27 | 37 |
| Substantial Assurance | 40 | 55 |
| Moderate Assurance | 6 | 8 |

8.5 As can be seen in the table above, the outcome of 67 of the 73 audits completed (92%) was positive with the audits being awarded either a High or Substantial assurance level.

8.6 Six audits received a Moderate level of assurance in the year. A summary of the key issues that result in Moderate assurance ratings being awarded are presented to the Governance & Audit Committee as part of the Chief Auditor's Quarterly Monitoring Reports, together with the outcome of the follow-up reviews undertaken to assure the Committee that action has been taken by management to address the issues identified.

8.7 In total there are 14 audits which are classed as Fundamental audits. The Fundamental audits are the core financial systems that are considered to be so significant to the achievement of the Council's objectives that they are audited either annually or bi-annually. Following the audits completed in 2022/23, 10 of the 14 Fundamental audits were awarded a High level of assurance and 3 were awarded a Substantial level of assurance (Accounts Payable, Business Rates and Employee Services).

8.8 The Fundamental Accounts Receivable audit was awarded a Moderate assurance level in 2022/23, as has also been the case in the previous four financial years. The Governance & Audit Committee has received several updates from the relevant managers within the service in relation to the work that is ongoing to address the issues that have been identified. The Committee will continue to receive updates on this during 2023/24 as required.

8.9 It is disappointing that the Accounts Receivable audit received a Moderate assurance rating once again in 2022/23. As detailed in updates provided to the Governance & Audit Committee from the service management, the reasons for the weaknesses identified in this area are primarily in relation to reduced staff resources. As noted in previous annual reports, continuity and maintenance of core grip with changing, and more often diminishing resources was a recognised clear challenge across the Council, and this continued to be the case in 2022/23 and going into 2023/24.

8.10 Despite this, as stated previously it should be noted that of the 14 fundamental system audits, 10 have a High assurance level and 3 have a Substantial assurance level. In addition, the results of the work undertaken in 2022/23 shows that 92% of all audits completed in year were awarded either a High or Substantial assurance level. This provides reasonable assurance that the systems of internal control are operating effectively across the Council.

8.11 The Internal Audit Team has continued to operate in a very challenging environment throughout 2022/23. Approximately 500 days were lost to sickness absence and vacancies. As a result, approximately 35% of the original 2022/23 Audit Plan had to be deferred. However, I wish to express my gratitude the Internal Audit Team who have worked tirelessly throughout the year to complete as much audit work as possible.

8.12 The Audit Plan for 2022/23 contained 131 separate audit activities. As at 31 March 2023, 80 activities (61%) had been completed, with one additional activity (1%) substantially complete with a draft report issued. As a result, 81 activities had been completed to at least draft report stage (62%). An additional 4 activities were in progress at year end (3%). As a result, approximately 65% of the audit activities included in the 2022/23 Audit Plan had either completed or were in progress at year end. The team also successfully completed all of the Fundamental audits. This is a positive result given the resources available in the Team during the year. It is also pleasing to note the overall positive outcomes of the work that has been completed in year as highlighted above.

8.13 Throughout the year, a significant amount of effort has continued to be directed at further strengthening the systems of risk management across the Council. The Governance and Audit Committee has received regular update reports from the Strategic Delivery and Performance Manager outlining the status of key risks from the Corporate Risk Register. The Corporate Management Team and Risk Owners have also reviewed the risk register entries regularly throughout the year to ensure the register is up to date. The new Risk Management System has also been further embedded in the year which has continued to improve the monitoring and control of risks. The introduction of the new Risk Management System has facilitated greater scrutiny of the risk management arrangements in place by the Governance and Audit Committee, and detailed reports from the new system have been presented to the Committee throughout the year.

8.14 At the time of writing this opinion, it is unclear as to the scale of additional spending the Council faces, from persistent relatively high inflation across both revenue and capital and demands on our services post pandemic whilst also in the midst of a cost of living crisis. The Director of Finance & Section 151 Officer has advised that his view is that there is adequate assurance of sufficient budget cover for 2023/24, but the future budget outlook remains extremely challenging in real terms. In March 2023, the Leader of the Council set out the Council's intention to continue with utilising the residual part of the locally funded Covid-19 Economic Recovery Fund during 2023/24. This will in part may mitigate the known certainty of the expected significantly reduced real terms Government funding increases in future years. This may also assist with dealing with some, but not all, of the immediate inflationary effects, which means future real terms reductions seem inevitable. However, this is pending formal certification of the final outturn and statement of accounts by the Section 151 Officer and Council.

8.15 The work undertaken by the Internal Audit Team in the year did not uncover any significant concerns in relation to governance and overall management control across the areas of the council that were subject to internal audit review. Despite the ongoing period of upheaval and change, officers have continued to adapt speedily and effectively to the move out of the pandemic.

8.16 Given the completion rate of the 2022/23 Audit Plan noted previously, and the fact that the Internal Audit Team has completed all of the planned Fundamental audits in year, the Chief Auditor feels that no impairment to the Chief Auditor's opinion is required. Assurance can be provided across a range of Council services as a result of the audits completed and other assurance work undertaken in the year.

8.17 In addition, for the reasons set out previously, the Chief Auditor is of the opinion that governance arrangements across the Council have proved to be robust and resilient throughout the continuing period of challenge and change that the Council has faced over the past year in the transition out of the pandemic.

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8.18 **Chief Auditors Opinion for 2022/23**

***Based on the programme of audit work undertaken in 2022/23, the Chief Auditor's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal***

***control is effective with no significant weaknesses identified in 2022/23 which would have a material impact on the Council's financial affairs or the achievement of its objectives.***

9. **The Governance & Audit Committee**

9.1 I am pleased to present this report prepared by the Chief Auditor and Democratic Services that reflects on the work of the Governance & Audit Committee. The report provides an overview of the Governance & Audit Committee's work in the municipal year 2022/23. On 31st May 2022 the Governance & Audit Committee considered the election of Chair for 2022/23 Municipal Year where it was resolved that Paula O'Connor be elected Chair. At the same meeting Councillor P R Hood-Williams was elected Vice-Chair for the 2022/23 Municipal Year.

9.2 The full Council agreed that the Governance & Audit Committee would be set at 15 members with one third of those being Lay Members to comply with the requirements of the Local Government and Election (Wales) Act. This resulted in the Council seeking to recruit a further three Lay Members. By May 2022 an additional two new Lay Members were successfully recruited – Mr Phillip Sharman and Mr Gordon Anderson. In March 2023 the Council were successful in appointing the fifth Lay Member Mr David Roberts who will assume his position in April 2023 thus being fully compliant with legislative requirements.

9.3 In addition, Cllr Lesley Walton was elected by the Governance & Audit Committee to be the Representative on the Governance Group. This Group ensures that the Annual Governance Statement is complete and accurate and is in harmony with the work of the Governance & Audit Committee. The Annual Governance Statement will be presented together with this Annual Report of the Governance & Audit Committee at the May 2023 meeting.

9.4 A formal Training Programme has been in place throughout the year to ensure the Committee Members understand their roles and responsibilities. This also provides a clear understanding of the roles of Performance and Scrutiny.

9.5 The Local Government and Election (Wales) Act requires careful coordination between Governance & Audit Committee and the Scrutiny Committee. To aide this, the Work Programme of both Committees are appended to every meeting of the Governance & Audit Committee.

9.6 In addition, the Chair of Scrutiny attends the Governance & Audit Committee to present the Annual report. Similarly, the Council's Performance Report was brought to the attention of the Governance & Audit Committee on 14th December 2022 by Cllr Chris Holley, Chair of the Service Improvement & Finance Scrutiny Panel in order to give assurance to the Committee that it had been subject to review and challenge by the Panel.

9.7 The Chair has assured the Council that every effort will be made to gain maximum effectiveness in the work of scrutiny and audit in order to avoid stepping outside of the remits of their terms of reference. More recently, on 14th March 2023 the Chair attended the Scrutiny Programme Committee to discuss Governance & Audit Committee and Scrutiny relationships to reinforce and clarify those responsibilities. The terms of reference are reviewed annually in conjunction with the Monitoring Officer to ensure that they reflect the most up to date legislation. The Committee terms of reference forms part of each Agenda as an aide to ensure that Members are sighted of its role.

9.8 The Chair would note that the South West Wales Corporate Joint Committee was established early 2022 to meet the requirements of Part 5 of the Local Governance and Elections (Wales) Act 2021. Further insight was given to Members as to the current status and progress of the CJC at the September 2021 Governance & Audit Committee and then in December 2021 the Governance & Audit Committee were informed of progress and next steps being taken in establishing a formal governance framework. At that time, it was envisaged that the status and progress of the work of the CJC would be brought back to the Governance & Audit Committee during the early part of 2022 when consideration would be given to any further changes to Terms of Reference of the Governance & Audit Committee. In March 2023 the Committee received a report on the Governance and Assurance Arrangements of Swansea Council's Strategic Partnerships. One of the Partnerships was the South West Wales Corporate Joint Committee. The Chair confirms that the Governance and Audit Sub Committee of this Partnership met on 11 November 2022 to agree Terms of Reference, but no further meetings have taken place since this date. Recent notification indicated that a meeting in July 2023 was being arranged but this meeting was stood down on the basis that, at this particular time, there were no matters which require consideration by the Governance and Audit Sub Committee. As a result, the Terms of Reference for the Council's Governance & Audit Committee will need to be kept under review.

9.9 The Governance & Audit Committee have continued to express concern around the absence of the Workforce Strategy and the challenges placed on resources. In February 2022 the Strategic HR&OD Manager confirmed that a proposed Workforce Strategy has been developed for the financial year April 2022-2025. It was also confirmed that the Strategy took into consideration the Council's Corporate Plan "Delivery a Successful and Sustainable Swansea" as well as the provisions of the Well-Being of Future Generations (Wales) Act 2015. The Strategy was launched during 2022.

9.10 Subsequently, a key report was presented to the Committee on 17th November 2022 informing the Committee of the Council's Transformation Goals and Strategy. This report noted that the first two phases of Achieving Better Together strategy and goals ended in May 2022 with the development of the council workforce strategy amongst other activities. However, to deal with the challenges ahead the Council declares that "between 2022 and 2027 the Council will deliver at least the same if not better outcomes for our population and improve our efficiency by making significant changes to the way we work and how our services are designed and delivered". The Governance & Audit Committee will receive future updates.

9.11 The Committee noted that a number of key staff changes took place during the year including the departure of the Chief Executive and the Deputy Chief Executive/Director of Corporate Services. As a result, Interim arrangements were put in place, but this did not impact on the access that the Chair had to Senior Officers. The Chair has continued to speak regularly to the new Chief Executive and Director of Corporate Services.

9.12 The Chair also highlights that the Committee has previously reported on the shortfall in assurances being received around the Council's Risk Management arrangements. However, the Chair has ensured that the Service Directors have attended the Governance & Audit Committee during the year to provide assurance to the Committee that individual functions are exercised effectively, and there is economic, efficient, and effective use of resources and effective governance. The Director of Corporate Services has been reviewing the risk management system with the aim of enhancing the current reporting to the Committee.

9.14 The Governance & Audit Committee terms of reference states that the Committee "oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

9.15 In March 2022 the Chief Internal Auditor presented the Draft Internal Audit Plan for 2022/23 and methodology applied. The Chair commented that the Committee was able to support approval of the Plan to Council with the caveat that assurances had been obtained from the Chief Internal Auditor that the Plan was risk based and complied with the Public Sector Internal Audit Standards. The Committee continued to seek further understanding of the scope of the reviews during 2022/23.

9.16 The Committee received the 2022/23 Internal Audit Plan and Charter on 8th March 2022 and has received reports regularly during the year from the Chief Internal Auditor. The Chief Internal Auditor explained the staff resource pressures throughout the year and also advised that at the year-end 62% of the plan would be completed which would be sufficient to provide the Head of Internal Audit Opinion. The Chair has expressed her gratitude to the Chief Auditor and his Team in progressing with the plan during a period of unplanned staff absences. During 2022/23 the Chief Auditor reported a number of Moderate Assurance audit reports that resulted in those responsible attending Governance & Audit Committee to give assurance that appropriate action was being taken where significant weaknesses in control were identified. During the year the Chief Internal Auditor updated the Governance & Audit Committee of those audit assignments that had to be deferred. The final Chief Internal Auditor opinion is due to be presented to the Audit Committee in May 2023.

9.17 Audit Wales presented their 2022 Audit Plan to the Governance & Audit Committee on 15th June 2022, and has provided the Committee with regular updates to their work. Their Quarterly update to 30 September 2022 was presented to the December 2022 Committee meeting. Also, the update to 31 December 2022 was presented to the March 2023 Committee meeting. Audit Wales have encountered staffing pressures throughout the year and have kept the Committee and full Council abreast of the situation.

9.18 The Committee has repeatedly checked progress with the development of the tracker to give focus to completion of external audit recommendations. Until this tracker is fully developed and put into place the Scrutiny Committee has a role in challenging non implementation of Audit Wales recommendations as well as the Governance & Audit Committee. The Council has also implemented a system whereby they are able to track who was allocated Audit Wales reports for actioning recommendations.

9.19 On 13 July 2022 the Committee received the 2022/23 Fraud Function Annual Plan. The 2021/22 Anti-Fraud Annual Report was received at the same meeting. In December 2022 the Corporate Counter Fraud Function presented their mid-year update report on progress against the plan. This report identified the Teams limited resources that impacts on their ability to be proactive in certain areas albeit the National Fraud Initiative work is considered proactive.

9.20 The Council has continued to face significant challenges during 2022/23. However, Audit Wales has confirmed at the March 2023 meeting that they intend to issue an unqualified opinion on the 2021/22 accounts.

9.21 Looking ahead to 2023/24 the Governance & Audit Committee's membership and responsibilities will need to be kept under review to ensure that a Training Programme continues to be in place that reflects the needs of new Councillors and Lay Members. Governance & Audit Committee Members completed an assessment of performance in March 2023 and the outcome of this self-assessment will be considered at the May 2023 meeting. If the self-assessment identifies any additional Member needs, this will be added to the Training Programme.

9.22 The Committee's concerns expressed during the 2022/23 Municipal year will be appropriately reflected in the Annual Governance Statement and will include performance against the Transformation Strategy, and the further improvements required to embed the risk management arrangements and enhanced reporting of risk. In addition, for those Moderate or Limited Assurance Internal Audit reports issued during the year the Committee will seek further updates to ensure all internal audit recommendations have been actioned. Also, the Significant Governance issues noted in the Annual Governance Statement will be considered by the Committee and will include Workforce capacity and capabilities (including Agency use and Sickness), Performance Management review, ICT Disaster Recovery and Procurement.

**EXTERNAL SOURCES OF ASSURANCE**

## 10. External Auditors

10.1 Audit Wales provided their opinion on the financial statements which was an unqualified opinion. Audit Wales Annual Audit Summary outlines that given the continuing slippage arising from the COVID-19 pandemic and national issues relating to the disclosure of infrastructure assets, the Welsh Government provided flexibility for both the accounts preparation and the audit deadlines, extending the latter from 30 November 2022 to 31 January 2023. The draft accounts were presented on 16 November 2022 and the Auditor General gave an unqualified true and fair opinion on the Council's financial statements on 31 March 2023. The Auditor General certified that the Council had met its remaining Local Government (Wales) Measure 2009 duties for the financial year 2021-22, as saved by an order made under the Local Government and Elections (Wales) Act 2021.

10.2 Audit Wales reviewed the arrangements the Council has put in place to secure value for money in the use of its resources. Their work was focussed on the Council's arrangements on implementing the Local Government and Elections Act (Wales) 2021, carbon reduction plans and the financial position; the outcome from this work were reported to Governance & Audit Committee on 27th September 2022, 9th February 2023 and 8th March 2023 respectively. Audit Wales also carried out studies across the local government sector to make recommendations for improving value for money.

10.3 Audit Wales on behalf of the Auditor General for Wales presented the **Audit of Financial Statements Report 2021/22** to Governance & Audit Committee on 8/3/23 and to Council on 30/03/23. The report highlighted any significant issues to those charged with governance that needed to be considered prior to the approval of the financial statements. The Auditor General issued an unqualified audit report for the financial statements. The report concluded that the financial statements for the City & County of Swansea and the City and County of Swansea Pension Fund, (which was presented separately to the Pension Fund Committee on the 16/11/22), gave a true and fair view of the financial position of the Council and had been properly prepared.

## 11. Statutory external inspections/regulators

11.1 Audit Wales, Estyn and CiW recently provided feedback to the Council through a Joint Regulators Assurance and Risk Assessment 2022-23 workshop, which delivered to CMT on 11th January 2023.

11.2 At the workshop, Estyn outlined the following assurances on the Council:

- Swansea's education directorate has an ambitious aspiration for all its children and young people.
- Officers work collaboratively and productively with other services and external organisations on many levels.

- The director and officers promote and support a strong and effective culture of self-improvement amongst Swansea schools.
- Learner well-being and welfare is a priority. A wide range of support and interventions for pupils with behavioural and emotional difficulties ensures that learners succeed and remain in education.
- The number of pupils progressing to Year 11 and remaining in school until the end of the academic year is consistently higher than national averages.
- The directorate has a strong culture of self-reflection and they produce swift and precise improvement plans when appropriate.
- There are well-established monitoring and quality assurance processes in place

11.3 Estyn identified what they perceived as risks:

- Concerns over future budgets and the ability to deliver services effectively across the authority and fulfil proposed capital spending plans.
- The new regional partnership arrangement 'Partneriaeth' is at an early stage of implementation and is too soon to judge its effectiveness.
- Two recommendations from local government inspection: review post-16 provision to ensure that it meets the needs of all learners; strengthen Welsh-medium provision across all ages and areas of the local authority

11.4 CiW described the following overarching assurances on the Council:

- Corporate understanding of & support for post –pandemic position.
- Innovative approach to service delivery and planning.
- Stable, experienced senior management team.
- Workforce strategy / planning.
- Quality assurance becoming more embedded.

11.5 CiW outlined the following assurances on childrens social care services:

- Demonstrable compliance in meeting statutory duties, despite ongoing / significant pressures.
- Stable / decreasing CLA population.
- Robust and comprehensive PFM reports.
- Enhanced multi-agency / partnership working.

11.6 The following risks were described by CiW concerning childrens social services:

- Managing increasing scope & complexity of demand.
- Significant, ongoing recruitment & retention challenges.
- Recent use of emergency placements, due to lack of availability.

11.7 CiW outlined the following assurances on adults social care services:

- Re-structuring led to improvement in some key areas of service delivery, including Safeguarding & DoL's teams.
- Strengthened integration / positive relationships with health colleagues.
- Supplementing resource via managed team to help address assessment and reviews.

11.8 The following risks were described by CiW concerning adults social services:

- Ongoing fragile position of Domiciliary Care provider market –growing waiting lists / shrinking capacity.
- Ongoing pressures due to demand in the system.
- Delays in assessments.

11.9 CiW outlined their planned future work for 2022/23 as follows:

- Continue to test and evaluate their revised approach, including assurance checks, improvement checks and PEI's (in conjunction with LAAG and other interested parties).
- Continuous programme of activity from April 2023 –it is anticipated that all 22 Local authorities will have some activity whether that be an assurance check, a performance evaluation inspection and / or involvement in a national thematic review.
- Continue with programme of formal meetings with Heads of Service and also the annual meeting with the Director of Social Services
- National thematic review - to be confirmed.

11.10 Audit Wales listed the following assurances on the Council:

- Stable political landscape with continuity of leadership.
- Council is refreshing much of its corporate framework, including its Corporate Strategy and performance management arrangements to ensure they are aligned to deliver its ambitions, within the constraints of its developing MTFS.
- Council has high levels of reserves which it is using (estimated £30m for 23/24) to help with its financial sustainability over the short to medium term.
- Has historically had a low cost of borrowing on capital that is now being used to deliver its ambitious regeneration priorities.
- Pension Fund has performed well over the last few years.
- Reviewed achieving better together programme and have developed a refreshed Transformation Programme.
- The Council is reviewing its risk management arrangements and has recently reviewed its Corporate Risk Register and identified a number of new corporate risks, such as: homelessness and cost of living

- The Council has a strong grasp of the scale and complexity of the challenge to achieve net zero by 2030 and has ambitions for the county of Swansea to become net zero by 2050.

11.11 The following emerging risks were described by Audit Wales concerning the Council:

- Positive financial settlement for 2023/24 (£31m uplift). However, future financial pressures remain a risk with a saving target of £25m for 2023/24 and significant saving targets for 2024/25 –2026/27.
- High levels of school reserves which will be reduced in 2023/24 as schools have to find savings of £2.9m and also need to cover this year's pay award–potential risk for 2024/25.
- Net Zero plans are not fully costed and do not identify the funding and resources required to deliver all the identified activity.
- Sustainability of some strategic private sector delivery partners such as those in Leisure.
- Challenges in relation to recruitment and retention in particular sectors such as care and senior posts in education.
- Budget proposals principle is minimal compulsory redundancy – although not ruled out in services areas where the greatest savings are required, potential risk around service delivery.
- Significant historical delays in delivering the new ERP solution Oracle Fusion current system will be unsupported from June 2023.
- Ambitious local and regional economic regeneration plans, however the sustainability of private sector support for this remains a risk in the current economic climate.
- Concerns over the progress being made on some of the largest Swansea Bay City deal projects such as "homes as power stations" of particular significance given the cost of living crisis.
- Recently established Corporate Delivery Committees to support Policy development, however some concerns over duplication with Scrutiny.
- Impact on Transformation Programme of current financial crisis.
- Track record - delivering financial savings, delivering on significant projects such as IT; how is the Council assuring itself that it can prioritise and deliver?

11.11 An exercise mapping the Councils corporate risks to those identified by the Audit Wales will be undertaken in the early part of 2023/24 but there appears to be coherence between them. Note that corporate risks in and of themselves are not necessarily governance issues. There can be a distinction between corporate risks, which are mostly dealt with as performance matters, and the process around the management of risks, which is a question for governance.

11.12 Swansea's Director of Social Services' Annual Report 2021/22 was presented to full Council in October 2022. The report is an opportunity to show how well Swansea is meeting the new statutory requirements under the Social Services and Well-being (Wales) Act 2014, and how we are applying the five ways of working within the Well-being of Future Generations (Wales) Act 2015. The report has to evaluate the local authority's improvement journey to 2021/22, performance within the six National Quality Standards and contributing the wellbeing outcomes for the citizens of Swansea.

11.13 In December 2021, CiW published a National Overview Report of Assurance Checks with Children's and Adult Social Services. This report gives the key finding from the 19 assurance checks carried out across Wales between September 2020 and July 2021, and sets out the future challenges for social services. Future challenges identified within this report can be summarised as:

- Unprecedented increase in demand for social care.
- Partnership working.
- Recruitment and retention.
- Fragility within domiciliary support services.
- Placement insufficiency within the childcare sector.
- Advocacy.
- Support for Carers.
- Grant funding.

11.14 Care Inspectorate Wales (CiW) hold an annual performance review meetings with each local authority social services. Senior management, cabinet members and senior managers are invited to the meeting to share in feedback from recent inspection activity and to discuss progress against the statutory requirements, improvement priorities and against performance measures. Minutes noting the outcome of the meeting are then sent to the Director of Social Services; the most recent meeting notes are dated 16th December 2021.

11.15 CIW informed the Director that this meeting marked the end of the 'testing and reviewing' phase of their revised approach. There will be further engagement, in due course, as they move into our consultation phase. Their aim is that a revised approach to performance review of statutory social services (including any revisions to our published code of practice) will be fully implemented for April 2023. The Chief Inspectors recent report set out the context and national themes, CiW have identified to date: [221020-annual-Report-2021-22-EN.pdf (careinspectorate.wales)]

- Unprecedented increase in demand for care and support has created significant pressure on services.
- Partnership working and a whole system approach has never been more critical if we are to ensure people receive the care and support they require.
- Recruitment and retention of social care workers remains far from sufficient.
- There is fragility within domiciliary support services.

11.16 The meeting covered four areas: People, Wellbeing. Prevention and Partnerships. Generally positive examples shared in all areas, and some observations for follow up: Key challenges are captured in service improvement plans and ongoing work is being done to align this with the refreshed corporate recovery plan.

11.17 The meeting identified that Swansea Social Services challenges are captured in service improvement plans and ongoing work is being done to align this with the refreshed corporate plan. The Directors report this year will reflect more on general issues and not so much on impact of COVID. Swansea has a targeted recruitment strategy for addressing gaps and looking longer term. The amount of legal resource required has been a particular area of challenge (DoLS). Prevention and early help are significantly dependent on grant funding and if they were removed it would pose a significant risk to the provision of preventative work. Partnerships RPB agenda focused on 'big system change', which can make the work harder to measure progress.

11.18 CIW's new approach to assurance and review places the voice of the citizen at the centre, and inspectors gather intelligence on performance from a range of sources ahead of the annual review meeting. Regular meetings are held with Heads of Service, and monthly performance reports are made available. Review work for the year ahead includes: child protection (rapid review), public law outline (joint thematic review), Community Mental health national, alongside Council specific reviews. The latest Annual Meeting with CiW was held on 31st January 2023, with notes yet to be made available.

11.19 CiW has also recently published two national reports: 'Let me flourish' -a national review of early help, care and support and transition for disabled children in Wales (Nov.2021). The report sets out several actions for local authorities including:

- Obtaining and hearing the voice of each disabled children
- Working with parent-carers
- Taking a rights-based approach

11.20 More recently published, a national review of the use of Deprivation of Liberty Safeguards (DoLS) in Wales 2021-22 (Feb.2023). The report notes that Swansea continues to report the highest number of DoLS applications in Wales, but numbers have fallen in 2021-22 when compared to previous years.

11.21 The Welsh Government are working on the regulations and guidance for the implementation of the new Liberty Protection Safeguards (LPS) set to replace DoLS, following recent consultation, with a date yet to be set.

11.22 Estyn conducted an inspection of Local Government Inspection Services in June 2022 and published its findings in September 2022. The inspection report noted many strengths and features of Swansea's education services and that officers work collaboratively and productively with other local authority services and external organisations on many levels. Two case studies were requested, one in relation to strong support for school improvement and quality of support in mainstream schools for pupils at risk of disengagement. Two recommendations were made, one to strengthen Welsh-medium provision across all ages and areas of the local authority, and one to review post-16 provision to ensure that it meets the needs of all learners. Audit Wales led the financial element of the inspection and noted that the authority had prioritised funding for education and worked well with schools through the Schools Budget Forum.

11.23 The Local Authority has made effective progress in revising its additional learning needs (ALN) strategy – this was a finding of the Estyn inspection, where 'How well does the local authority support schools and providers to implement the ALNET Act 2018' was a local inspection question. Whilst positive progress has been made, it remains too early to fully measure the impact on a wide scale, as the transfer from the SEN system to ALN system continues in a phased approach.

11.24 A wholesale review of specialist provision for learners with ALN has begun, however further work is required to conclude this review and implement changes.

11.25 Inspection outcomes had been strong in both primary and secondary schools prior to the pandemic. School inspections resumed in 2022 and the use of outcome judgements are no longer in place. Between April 2022 and 1 March 2023, 16 schools were inspected, with 11 of those reports published. Of the 11 reports published, nine schools have no follow-up, one school is in an Estyn Review category, and one school is in a Special Measures category. Schools that are in an Estyn category receive support from the School Improvement Team. Five schools have been invited to submit case studies of effective practice.

11.26 There has been a third tier restructure of the Education Senior Leadership Team, which followed the previous second tier review that resulted in a structure of three Head of Service posts.

11.27 The Council continues to take appropriate steps to ensure that the new regional partnership with two other local authorities, Partneriaeth, results in an offer that better suits the needs of schools in Swansea; this is still developing.

11.28 School reserves continue to be high, although are decreasing. A delivery plan to realise the aims of the 10-year Welsh in Education Strategic Plan has been agreed by Welsh Government, however the needs of learners and local requirements will need to be kept under review.

## CORE EVIDENCE

### 12. Council & Cabinet

12.1 The following provide assurance based on reports covering 2022/23. In some instances reports from 2021/22 are reflected in the Annual Governance Statement as the reports for 2022/23 are not yet available.

12.2 Council adopted a revised Corporate Plan 2017/22 *Delivering a Successful and Sustainable Swansea* on 25 October 2018. The Corporate Plan for 2017/22 was refreshed and approved at Cabinet on 19th March 2019 and was refreshed again and approved by Cabinet on 19th March 2020. The five year Corporate Plan was rolled forward into 2021/22 and was refreshed and rolled forward for a further year into 2022/23 until after the local government elections. A new 5-year Corporate Plan has been produced for the 2023/28 period, which was adopted at Council on 30th March 2023. The Corporate Plan sets out the Council's values and principles underpinning the delivery of its six well-being objectives and sets out how the Council will monitor progress through quarterly and annual performance monitoring reports and the Annual Review of Performance, which is the Council's annual self-assessment and well-being report.

12.3 Performance on delivery of the Council's well-being objectives is monitored quarterly by Cabinet. The reports contain outturn compliance with performance indicators and an overview of performance for each Objective provided by Directors/Heads of Service. The End of Year Performance Monitoring Report for 2021/22 was presented to Cabinet on 21st July 2022. The report showed that 20 out of 40 (50%) of comparable indicators showed improvement or stayed the same compared to the previous year. Continued disruption from COVID-19 meant that performance targets were not set during 2021/22 and any comparisons to previous performance were appropriately contextualized.

12.4 The Annual Review of Performance 2021/22 was approved at Council on 2nd March 2023. The Annual Review of Performance 2021/22 meets the statutory requirements to publish an annual self-assessment report and annual well-being report under Part 6 of the Local Government & Elections Act (Wales) 2021 and Well-being of Future Generations (Wales) Act 2015 respectively. The report showed the results of each performance measure for the 6 Objectives set out in the Corporate Plan 2017/22. The results showed that the Council is effectively delivering its functions; that there is a strong application and effective use of resources, although more mixed around workforce planning and performance management, and; a strong application and effectiveness of governance, although more mixed around vision, strategy and performance.

12.4.1 The Service Improvement and Finance Scrutiny Performance Panel and the Governance & Audit Committee met to discuss the Annual Review of Performance 2021/22 on 8th November 2022 and 14th December 2022 respectively. The Governance & Audit Committee proposed the following, which have been implemented or, where relevant, will be implemented in the 2022/23 Review:

- Consider the methods and methodologies for 2022/23 in parts 1, 2 and 3. This will be addressed in the 2022/23 assessment.
- Linking the performance and risk assessments for 2022/23. This will be addressed in the 2022/23 assessment.

- Recognizing improvements that would need to be articulated within the report around stronger analysis. This has been acknowledged within the Review and will be addressed as an ongoing area for improvement starting in 2022/23.
- Correlation between parts 1, 2 and 3, ensuring they are all in harmony prior to the report being presented to Council and if they are not in harmony, outlining the reasons why. The different parts of the assessment are congruent and there is some cross-over between them, although with differing emphasis.
- Ensuring the report is proof read prior to being presented to Council. This has been completed.
- Improving the links between consultation engagement / stakeholder reference. This will be addressed in the 2022/23 assessment.

12.5 The Annual Complaints Report 2021/22 was presented to the Service Improvement and Finance Scrutiny Performance Panel Committee on the 14th March 2023. In addition, the Ombudsman's annual report was presented to Cabinet in September 2022. The Annual Complaints Report reflects the continued emphasis on prompt resolution of complaints and includes compliments about services. Some Ombudsman complaints can carry across different financial years. 76 Ombudsman complaints were closed in 2021-22, ten of which received intervention including: six early resolution / voluntary settlement and four which were upheld. There were 73 Ombudsman complaints in 2020-21, nine of which received early intervention including: five early resolution / voluntary settlement and four which were upheld. There were no s16 Public Interest reports during the year.

12.6 The Governance & Audit Committee Annual Report 2021/22 was presented to Council on 1st September 2022 and outlined the assurance the Committee had gained over control, risk management and governance from various sources over the course of 2021/22. In particular, the report highlighted the work that had been undertaken throughout the year in line with the Committee's terms of reference.

12.7 The Annual Equality Review 2021/22 was reported to Cabinet on 17th November 2022, which highlighted progress against the Council's Equality Objectives. The report highlighted work linked to the core principles i.e. co-production, engagement and embedding of children's rights.

12.8 The Council has continued to be make improvements on implementing the Welsh Language Standards during the year despite the pandemic, with the priority being on Service Delivery Standards as they are greatest in number and are the most visible to the public. Service delivery Standards have been maintained and there was a significant increase in Welsh language calls due to TTP and Swansea Council managing the pan-Wales, Welsh Vaccine Certification Service (WVCS) telephone service. Work continues to develop a new system for the public to complain to the Council, including around compliance with the Welsh Language Standards. The Welsh Language Standards have strengthened the provision of bilingual services in Health and

Social Care, and across the Council as a whole. As part of the 'More than Just Words' active offer the Council has extended the offer to social care staff to learn Welsh through work. There have been over 2,156,156 total page views on Staffnet in 2021-2022; 19,003 of these were related to Welsh. The Microsoft Teams virtual 'Cwtsh- Ysgrifennu yn Cymraeg' was available throughout the year for Officers to use virtually. Six Welsh Language complaints were received directly to the Council during the reporting period April 2021 – March 2022. The report concludes that Welsh Language Standards and the promotion of the Welsh language continues to be a priority for Swansea Council through providing additional Welsh lessons and through activities such as 'Cwtsh- Ysgrifennu yn Cymraeg' virtual space and the promotion of Welsh Language Rights Day. The new Standards Officer is now in post to liaise with the Welsh Language Commissioner. Implementation of the Welsh Language Standards on a day-to-day basis is run corporately through the Standards Officer via Heads of Service. Impact on the Welsh Language is now fully embedded in the Councils Integrated Impact Assessment (IIA).

12.9 There were a number of key reports presented to Cabinet/Council during 2022/23 including reports relating to Net Zero 2030, UK Prosperity Fund, Digital Strategy, regeneration and capital works amongst others.

12.10 The second phase of the Achieving Better Together Programme concluded in May 2022. In November the Cabinet approved a report on the council's transformation strategy and goals and agreed to the development of a new corporate transformation plan. The development and implementation of that plan, which is scheduled for approval by Cabinet in April 2023, will be overseen by a Transformation Delivery Board, chaired by the Cabinet Member for Service Transformation and reporting to Cabinet / CMT three times a year. A formal report on progress against the Corporate Transformation Plan will be presented to Cabinet in April of each year.

## 13. Committees

13.1 The Council's Scrutiny function is carried out by a **Scrutiny Programme Committee,** which delivers an agreed programme of work through Committee meetings and through **Scrutiny Panels and Working Groups** established by the Committee. Through this range of activity, scrutiny councillors make sure the work of the Council is accountable and transparent, effective and efficient, and help the Council to achieve its objectives and drive improvement, by questioning and providing challenge to decision-makers on issues of concern. This covers a wide range of policy, service and performance issues. The Committee is a group of 13 cross-party councillors who organise and manage what Scrutiny will look at each year, and develop a single work programme showing the various topics of focus and activities that will be carried out. The Committee has questioned Cabinet Members on specific portfolio responsibilities and is the statutory Committee for Scrutiny of Swansea Public Services Board and Crime & Disorder Scrutiny. It also co-ordinates pre-decision scrutiny enabling consideration of specific Cabinet reports and views being brought to the attention of Cabinet ahead of decision-making.

13.2 Over the last year the work of Scrutiny has included an in-depth scrutiny inquiry examining the issue of Anti-Social Behaviour, with the key question: How can the Council ensure that it is working with its partners to appropriately and effectively tackle Anti-Social Behaviour in Swansea? In order to ensure ongoing monitoring and challenge to key service areas there have been regular meetings of Scrutiny Performance Panels, looking at Education, Adult Services, Child & Family Services, Development & Regeneration, and Climate Change & Nature, as well as one looking at overall Service Improvement & Finance focusing on corporate performance and financial monitoring and budget scrutiny. One-off Scrutiny Working Groups met to consider the following topics: Road Safety and Co-production, and others are planned including a look at Customer Contact. There has also been collaborative scrutiny with other Local Authorities for topics / issues of shared interest or concern, and models of regional working. Scrutiny activity has continued to be flexible and responsive to organisational pressures following the COVID-19 pandemic, which has affected the delivery of some planned activities. There are also clear processes in place for members of the public to raise issues for scrutiny, or ask questions and contribute views on matters being discussed. A number of public requests were considered over the past year.

13.3 Views and recommendations from scrutiny activities are communicated either by reports to Cabinet or letters sent directly to individual Cabinet Members, with responses provided as requested and followed up. The practice of writing ‘chair’s letters’ is well-established way of communicating quickly with Cabinet Members, and letter and responses are monitored to ensure scrutiny is getting a timely response.

13.4 The **Scrutiny Annual Report 2021/22** was presented to Council on 1st September 2022. The report reflected on the final year of the 2017-2022 Council term and work carried out, showed how Scrutiny had made a difference and supported continuous improvement for the Scrutiny function. .

13.5 Although Scrutiny and Audit have distinctive roles, there are common aims in terms of good governance, improvement in performance and culture, and financial management, and so a regular conversation is held which helps to ensure we are working together effectively. The Chair of the Scrutiny Programme Committee addressed the Governance & Audit Committee on this in October 2022 and the Committee also heard from the Chair of the Governance & Audit Committee, at the Scrutiny Programme Committee in March 2023. This has made sure there is good awareness of each other’s work, avoiding duplication and gaps in work programmes, and the ability to refer issues between Committees.

13.6 The **Standards Committee** met on 8 occasions during 2022/23 and the **Standards Committee Annual Report 2021/22** was presented to Council on 7 July 2022. The Committee is chaired by an independent person and is responsible for monitoring the ethical standards of the authority and maintaining the highest standards of conduct by elected councillors. The Committee has been updated as to their new duties under the Local

Government and Elections (Wales) Act 2021 and has been consulted on both the statutory guidance in relation to the new duty and their new terms of reference. During 2022-2023 the Committee met with the Leader and all political group leaders to discuss with them how they intend to discharge their new duties to ensure the highest ethical standards within their group. Further informal discussions between the Group Leaders, Chair and Vice Chair of the Standards Committee are planned for 2023-2024.

13.7 The **Governance & Audit Committee** met on 11 occasions during 2022/23 and followed a structured work-plan, which covered all areas of the Committee's responsibilities with the aim of obtaining assurance over the areas included in its terms of reference. The Committee includes five lay members, one of which is also the Chair of the Committee. The Committee receive all Audit Wales reports once reported to Scrutiny Programme Committee. The Committee may decide to track or prioritise specific proposals or recommendations in addition to the oversight provided by Scrutiny. This arrangement provides additional assurance that the Council responds and puts in place action plans to address any recommendations. The Committee also receives quarterly updates on the overall status of risk within the Council to give assurance that the risk management process is being followed.

13.8 The Local Pension Board was established in 2015/16, in compliance with the Public Service Pensions Act 2013. The role of the Board is to assist the Council (and Pension Fund Committee) as Scheme Manager and Administering Authority to secure compliance with LGPS regulations and other legislation relating to the scheme. Terms of Reference for the Board were established and appropriate Board members were appointed. The Board successfully convened meetings on 4 occasions during 2022/23.

13.9 The **Pension Fund Committee** establishes and keeps under review policies to be applied by the Council in exercising its obligations duties and discretions as an administering Authority under the Local Government Pension Scheme (LGPS) Regulations. The Committee is Chaired by a Councillor and membership consists of six elected Members, including the Chair, and two co-opted members. The Committee met on 4 occasions during 2022/23, and dealt with all issues relating to investment matters, governance and administration of the Pension Fund. The Chair of the Pension Fund Committee also represents the Council on the Joint Governance Committee (JGC) of the Wales Pension Partnership, a collaborative working arrangement between the 8 local government pension funds in Wales.

13.10 The **Democratic Services Committee** reviews the adequacy of provision by the authority of staff, accommodation and other resources to discharge Democratic Services functions. The Committee is chaired by a Councillor and, along with the Chair, membership consists of thirteen Councillors. The Committee met twice during 2022/23 and considered the Timing of Council Meetings survey, reviewed the Councillor Training & Induction Programme 2022, Democratic Services Annual Report 21/22, Councillors Annual Reports and the Draft Independent Remuneration Panel for Wales (IRPW Annual Report 2023/24).

13.11 The purpose of the **Corporate Delivery Committees (CDCs)** is to drive the development of policy for consideration and adoption by Cabinet and or Council as appropriate. CDCs are aligned to the Council's function of developing policy and are linked to the corporate objectives. Both CDCs and Scrutiny are open to all non-executive Councillors, in developing policy then reviewing its effectiveness.

13.12 The CDCs are chaired by a Councillor and, along with the Chair, membership consists of twelve elected Members. There were five Committees meeting in 2022/23: listed here with examples of both completed work and that in progress:

- **Climate Change** – Nature Recovery Plan, Waste Strategy, Renewable Energy, Sustainable Food Policy and Sustainable Products
- **Economy & Infrastructure** – Residents Rewards App, Tawe Riverside Corridor Strategy & Levelling Up, Local Economic Delivery Plan, Swansea Bay Strategy and Draft Economic Development Strategy Framework.
- **Education & Skills** – Strengthening School Leaders, Attendance & Inclusion, Strengthened and Effective School Governance.
- **Organisational Transformation** –Transformation, Reward & Recognition of staff, Agile Working, Recruitment & Selection, Co-production and Illumination Policy.
- **Safeguarding People & Tackling Poverty** – Swansea Council Volunteering Strategy / Policy, Corporate Debt Policy, Local Area Co-ordination Best Practice Policy / Guide and Social Services Workforce Programme.

## Significant Governance Issues

The following table identifies issues that had been identified in 2021/22 during the review of effectiveness, together with the proposed actions to be taken during 2022/23 to address the issues.

| Significant Governance Issue linked to Framework | Action to be taken 2021/22 | Update | Status | Action to be taken 2022/23 |
|---|---|---|---|---|
| Lack of workforce capacity, capability and resilience and relying on staff goodwill. | • Workforce Strategy approved. Action Plan to be adopted in each service area and the groups to be established to lead and monitor actions. End August 2022. | • The Workforce Strategy was approved by Cabinet in October 2022.<br>• Workforce delivery groups were established to lead and monitor actions, but these will now report through to the Workforce and OD Transformation Programme Board | • In progress | • Workforce delivery groups lead and monitor actions and report through to the Workforce and OD Transformation Programme Board.<br>• Implement the control measures to mitigate the Corporate risk on workforce recruitment and retention.<br>• Help cater for effective demand management through robust service planning. |
| Performance Reviews, i.e. appraisals system / | • Continue to develop a new appraisal | • The 'Goals and Performance' module in Oracle Fusion | • Arrangements in place from | • Launch 'Goals and Performance' module in |

| | | | | |
|---|---|---|---|---|
| induction training not fit for purpose. | solution to be delivered digitally through the new Oracle Cloud solution in October 2022.<br>• Develop Corporate Induction training for delivery in 2022. | is ready to launch in April 2023 upon go-live of the full system.<br>• The 'Learn' module in Oracle Fusion is ready to launch in April 2023 upon go-live of the full system and will include a revised mandatory training offer for induction purposes. | April 2023 | Oracle Fusion in April 2023 upon go-live of the full system.<br>• Launch 'Learn' module in Oracle Fusion in April 2023 upon go-live of the full system; include a revised mandatory training offer for induction purposes.<br>• Review mandatory training requirements to release frontline staff from some of the mandatory training; for example, Display Screen Equipment for staff that do not use a computer. |
| ICT Disaster recovery. | • Resolve through the move to cloud services, particularly Oracle Cloud in October 2022.<br>• National | • Oracle Cloud going live April 2023. Strategy for cloud and new data centre agreed and in implementation.<br>• National performance | • In progress | • Oracle Cloud going live April 2023.<br>• Complete migration of corporate system to Azure. |

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|---|---|---|---|---|
| | performance issues with WCCIS being addressed nationally through a review of continued viability and a local / regional options appraisal being undertaken in partnership with Health. | issues with the Welsh Community Care System (WCCIS) now stabilised. Options appraisal and subsequent action plan completed by Health.<br>• Migration of corporate system to Azure started.<br>• Training on Disaster Recovery response held with 3rd party, Digital Services and Emergency Planning. | | |
| Procurement – Governance around Contracts. | • Internal Audit to undertake a review in 2022 on the operation of contracts within CPR and the UK PCR.<br>• Review how advice and support can be given and whether capacity can be increased to assist Schools to | • The Funding and Information Team in the Education directorate have led on a review of the Accounting Instructions for Schools and also the School Procurement Guide.<br>• Training on procurement has been provided to all schools on Teams. | • In progress. | • Reinforce and rollout the recommendations outlined in the Chief Auditors Procurement Memo approved on the 25/11/22. |

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| | consider the full implications from decisions from entering into contract with third parties.<br><br>• Review the process from sign-off to Contract issued to ensure any risk is removed.<br><br>• Review Governance arrangements for involvement by commercial services. | • Financial training continues to be provided to school leadership staff, governors and admin officers, which includes a section on contracts.<br><br>• Training is also offered termly on IR35 (HMRC contracting rules for employees). Similar training has also been provided to EDSLT.<br><br>• Following the internal audit review undertaken, a schedule of recommendations was recommended for implementation in memo from the Chief Auditor which was approved by the S 151 Officer and Head of Commercial Services in 25/11/22. | | |

# Annual Governance Statement 2022/23

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness. **We will review progress during the course of the year at Corporate Management Team / Leadership Team and will monitor their implementation and operation as part of our next six monthly and annual review**.

Signed ……………………………. Chief Executive
Date …………………………….

Signed…………………………….. Leader
Date …………………………….

## PART B

**Chief Financial Officers Certificate and Statement of Responsibilities for the Financial Statements of the City and County of Swansea Pension Fund.**

I hereby certify that the Financial Statements presents a true and fair view of the financial position of the City and County of Swansea Pension Fund at the accounting date and its income and expenditure for the year ended 31st March 2023.

Ben Smith
Director of Finance

**The Authority's Responsibilities**
The Authority is required to:

- Make arrangements for the proper administration of the City and County of Swansea Pension Fund and to secure that one if its officers has the responsibility for the administration of those affairs. In this Authority, that Officer is the Director of Finance
- Manage the affairs of the City and County of Swansea Pension Fund to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Financial Statements.

**The Responsibilities of the Director of Finance**
The Director of Finance is responsible for the preparation of the City and County of Swansea Pension Fund's financial statements in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code).
In preparing these financial statements, the Director of Finance has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent
- Complied with the local authority code.

The Director of Finance has also:

- Kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

**Date of Authorisation for Issue**
The 2022/23 Financial Statements were authorised for issue on 15th November 2023 by Ben Smith, Director of Finance who is the Section 151 Officer of the Council. This is the date up to which events after the Balance Sheet date have been considered.

The 2022/23 Financial Statements were formally approved by Pension Fund Committee 15th November 2023.

Councillor Mike Lewis
Chairman

**The report of the Auditor General for Wales to the members of the City & County of Swansea as administering authority for the City & County of Swansea Pension Fund**

**Opinion on financial statements**

I have audited the financial statements of the City & County of Swansea Pension Fund for the year ended 31 March 2023 under the Public Audit (Wales) Act 2004.

The City & County of Swansea Pension Fund's financial statements comprise the fund account, the net assets statement and the related notes, including the significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23.

In my opinion, in all material respects, the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2023, and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year; and
- have been properly prepared in accordance with legislative requirements and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23.

**Basis for opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report.

My staff and I are independent of the pension fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

**Conclusions relating to going concern**

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the pension fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the responsible financial officer with respect to going concern are described in the relevant sections of this report.

**Other information**

The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. The Responsible Financial Officer is responsible for the other information contained within the annual report. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon. My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

**Opinion on other matters**

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the annual report for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the Local Government Pension Scheme Regulations 2013.

**Matters on which I report by exception**

In the light of the knowledge and understanding of the pension fund and its environment obtained in the course of the audit, I have not identified material misstatements in the annual report. I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- I have not received all the information and explanations I require for my audit;
- adequate accounting records have not been kept, or returns adequate for my audit have not been received from branches not visited by my team; or
- the financial statements are not in agreement with the accounting records and returns.

**Responsibilities of the responsible financial officer for the financial statements**

As explained more fully in the Statement of Responsibilities for the financial statements set out on page 84, the responsible financial officer is responsible for:

- the preparation of the financial statements, which give a true and fair view;
- maintaining proper accounting records;
- internal controls as the responsible financial officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- assessing the City & County of Swansea Pension Fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the responsible financial officer anticipates that the services provided by the City & County of Swansea Pension Fund will not continue to be provided in the future.

**Auditor’s responsibilities for the audit of the financial statements**

My responsibility is to audit the financial statements in accordance with the Public Audit (Wales) Act 2004.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- Enquiring of management, the administering authority’s head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the City & County of Swansea’s policies and procedures concerned with: –

  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws

- Considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the posting of unusual journals and biases in accounting estimates.
- Obtaining an understanding of City & County of Swansea Pension Fund’s framework of authority as well as other legal and regulatory frameworks that [name of pension fund] operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of City & County of Swansea Pension Fund; and
- Obtaining an understanding of related party relationships.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, those charged with governance about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance, the Pension Fund Committee and the administering authority; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the City & County of Swansea Pension Fund's controls, and the nature, timing and extent of the audit procedures performed.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

**Other auditor's responsibilities**

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

**Certificate of completion of audit**

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

| | |
|---|---|
| Adrian Crompton | 1 Capital Quarter |
| Auditor General for Wales | Tyndall Street |
| November 2023 | Cardiff, CF10 4BZ |

The maintenance and integrity of City and County of Swansea Pension Fund's website is the responsibility of the Authority; the work carried out by auditors does not involve consideration of these matters and accordingly auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

# STATEMENT OF ACCOUNTS 2022/23

## 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 Pension 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 31 March 2023.

- The Notes to the Financial Statements which are designed to provide further explanation of some of the figures in the statements 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 |
|---|---|
| Contributions and transfers in | 123,760 |
| Other | 14 |
| | **123,774** |

**And where it goes……..**

| | £'000 |
|---|---|
| Pensions payable | 75,861 |
| Lump sum benefits | 18,531 |
| Refunds and transfers out | 4,478 |
| Management Expenses | 14,107 |
| | **112,977** |

| | £'000 |
|---|---|
| Net new money into the Fund | 10,797 |
| Net return on Investments | -29,271 |
| **Decrease in Fund value** | **-18,474** |

## Fund Account For The Year Ended 31st March

| 2021/22 £'000 | Contributions and benefits : | Note | 2022/23 £'000 | 2022/23 £'000 |
|---|---|---|---|---|
| | Contributions receivable : | | | |
| 86,043 | Employers contribution | 3 | 95,666 | |
| 21,485 | Members contribution | 3 | 23,915 | 119,581 |
| 6,415 | Transfers in | 4 | | 4,179 |
| 5 | Other income | 5 | | 14 |
| 113,948 | | | | 123,774 |
| | Benefits payable : | | | |
| -72,012 | Pensions payable | 6 | -75,861 | |
| -17,880 | Lump sum benefits | 6 | -18,531 | -94,392 |
| | Payments to and on account of leavers : | | | |
| -131 | Refunds of contributions | 7 | -248 | |
| -2,675 | Transfers out | 7 | -4,230 | -4,478 |
| -16,544 | Management expenses | 8 | | -14,107 |
| **4,706** | **Net additions from dealing with members** | | | **10,797** |
| | **Returns on investments** | | | |
| 27,164 | Investment income | 9 | | 32,230 |
| 277,907 | Change in market value of investments | 12 | | -61,501 |
| **305,071** | **Net returns on investments** | | | **-29,271** |
| **309,777** | **Net decrease in the Fund during the year** | | | **-18,474** |
| 2,614,455 | Opening Net Assets of the Fund | | | 2,924,232 |
| **2,924,232** | Closing Net Assets of the Fund | | | **2,905,758** |

## Net Assets Statement As At 31st March

| 31st March 2022 £'000 | | Note | 31st March 2023 £'000 |
|---|---|---|---|
| | **Investments at market value:** | **Note** | |
| 2,889,534 | Investment Assets | 11 | 2,885,547 |
| 0 | Cash Funds | 12 | 4,165 |
| 31,832 | Cash Deposits | 12 | 11,799 |
| 301 | Other Investment Balances – Dividends Due | 12 | 3 |
| **2,921,667** | **Sub Total** | | **2,901,514** |
| 6,686 | Current Assets | 15 | 8,313 |
| -4,121 | Current Liabilities | 15 | -4,069 |
| **2,924,232** | **Net assets of the Scheme available to fund benefits at the period end** | | **2,905,758** |

The financial statements on pages 89 to 125 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 Part D of this report 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 2022/23 financial year and its position at year-end 31 March 2023. The financial statements have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2022/23* 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 principle 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.

## Accounting Policies cont'd

A bulk transfer involves a group of employees changing to a new employer in a different Fund or moving along with their existing employer to a new Fund. It is usually triggered by a contract being transferred, a service being restructured or a merger or acquisition involving an LGPS employer. They are accounted for on a cash basis, or on an accrual basis where the liability hasn't been settled before the date of agreement.

### (d) Investments

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

ii) Listed investments are included at the quoted bid price as at 31st March.

iii) Investments held in quoted 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.

vii) Investment management fees are accounted for on an accrual basis.

viii) Transaction costs are disclosed in Note 8 – Administrative and Investment Management Expenses.

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) Management Expenses

The Fund discloses its pension fund management expenses in accordance with CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses (2016). All items of expenditure are charged to the Fund on an accrual basis.

**(g) Cash and Cash Funds**
Cash comprises cash in hand and cash deposits. Cash funds are highly liquid investments that mature in three months from date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**(h) 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.

**(i) 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. As permitted under the code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by the way of a note to the net asset statement in Part D of this report.

**(j) Critical judgements in applying accounting policies**

The Fund's 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.

Unquoted private equity investments – these are inherently based on forward looking estimates and judgements valued by the investment managers using two main sets of valuation guidelines that apply to private equity; the Private Equity Valuation Guidelines (PEVG) in the US and the international Private Equity and Venture Capital Guidelines (IPEVCG) outside the US. The value of the unquoted private equities as at 31$^{st}$ March 2023 was £218.9m (£197.9 million as at 31$^{st}$ March 2022).

**(k) Other**

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

**(l) Additional Voluntary Contributions (AVC's)**

City & County of Swansea Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. The fund has appointed Prudential as its AVC provider. Some AVC contributions from prior years are also held with Aegon and Utmost (previously known as Equitable Life). AVC's are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. AVC's are not included in the accounts in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (SI 2016/946) but are disclosed for information in Note 20.

**(m) Actuarial Present Value of Retirement Benefits**

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of International Accounting Standard (IAS19) and relevant actuarial standards. As permitted under the code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by the way of a note to the net asset statement in Part D of this report.

**(n) Taxation**

The fund is a registered public service scheme under Section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises. The Fund operates in the VAT registration for Swansea Council and the accounts are shown exclusive of VAT. The Fund can recover VAT input tax on all Fund activities.

## 3. Analysis of Contributions

| Total Contributions 2021/22 £'000 | | Total Contributions 2022/23 £'000 |
|---|---|---|
| | **Administering Authority** | |
| **59,167** | City & County of Swansea | **65,656** |
| | **Admitted Bodies** | |
| 358 | Celtic Community Leisure | 438 |
| 131 | Wales National Pool | 150 |
| 2,552 | Tai Tarian | 2,436 |
| 1,691 | University of Wales Trinity St Davids | 1,782 |
| 286 | Pobl Group | 274 |
| 417 | Wealdon Leisure | 389 |
| 20 | Parkwood Holdings | 21 |
| 7 | The Wallich | 8 |
| **5,462** | **Total Admitted Bodies** | **5,498** |
| | **Scheduled Bodies** | |
| 10 | Cilybebyll Community Council | 11 |
| 77 | Coedffranc Community Council | 79 |
| 6 | Llanrhidian Higher Community Council | 6 |
| 6 | Ystalyfera Community Council | 6 |
| 22 | Mumbles Community Council | 30 |
| 3,294 | Gower College | 3,581 |
| 2,704 | NPTC Group | 3,005 |
| 61 | Neath Town Council | 76 |
| 36,596 | Neath Port Talbot County Borough Council | 41,520 |
| 62 | Margam Joint Crematorium Committee | 68 |
| 5 | Pelenna Community Council | 6 |
| 20 | Pontardawe Town Council | 21 |
| 27 | Swansea Bay Port Health Authority | 8 |
| 7 | Briton Ferry Town Council | 8 |
| 2 | Llangyfelach Community Council | 2 |
| **42,899** | **Total Scheduled Bodies** | **48,427** |
| **107,528** | **Total Contributions Receivable** | **119,581** |

**3. Analysis of Contributions (continued)**

Total Employer/Employee contributions comprise of:

| 2021/22 £'000 | | 2022/23 £'000 |
|---|---|---|
| | Employers | |
| 84,679 | Normal | 93,881 |
| 584 | Other | 682 |
| 780 | Early Access | 1,103 |
| **86,043** | **Total** | **95,666** |
| | Employees | |
| 21,447 | Normal | 23,872 |
| 38 | Other | 43 |
| **21,485** | **Total** | **23,915** |
| **107,528** | **Total Contributions Receivable** | **119,581** |

**4. Transfers In**

Transfers in comprise of:

| 2021/22 £'000 | | 2022/23 £'000 |
|---|---|---|
| 6,415 | Individual transfers from other schemes | 4,179 |
| **6,415** | **Total** | **4,179** |

**5. Other Income**

Other income comprise of:

| 2021/22 £'000 | | 2022/23 £'000 |
|---|---|---|
| 0 | Interest on Cash Deposits | 9 |
| 5 | Early Access - Interest | 5 |
| **5** | **Total** | **14** |

Interest on Cash deposits has generally been very low due to the fund not investing surplus cash holdings with City & County of Swansea Treasury, as in previous years. It has been necessary to maintain liquidity by holding balances in the bank account and in two Global Bond funds to meet the large capital commitments required to fund the new yielding assets programme.

## 6. Benefits Payable

The lump sum benefits paid comprise of:

| 2021/22 £'000 | | 2022/23 £'000 |
|---|---|---|
| 72,012 | Pensions | 75,861 |
| 15,235 | Commutation and lump sum retirement benefits | 16,115 |
| 2,645 | Lump sum death benefits | 2,416 |
| **89,892** | **Total** | **94,392** |

## 6. Benefits Payable cont'd - Analysis of Benefits Paid

| Total Benefits Paid 2021/22 £'000 | | Total Benefits Paid 2022/23 £'000 |
|---|---|---|
| | **Administering Authority** | |
| **35,253** | City & County of Swansea | **37,739** |
| | **Admitted Bodies** | |
| 230 | Celtic Community Leisure | 227 |
| 5 | Swansea Bay Racial Equality Council | 5 |
| 15 | Wales National Pool | 16 |
| 1,125 | Tai Tarian | 1,375 |
| 1,008 | University of Wales Trinity St Davids | 1,024 |
| 430 | Pobl Group | 469 |
| 9 | RathboneTraining (Gower College) | 6 |
| 18 | Cap Gemini | 24 |
| 70 | BABTIE | 74 |
| 4 | West Wales Art Association | 4 |
| 12 | Colin Laver Heating | 9 |
| 3 | Phoenix Trust | 2 |
| 2 | Wealdon Leisure | 4 |
| 1 | Parkwood Holdings | 1 |
| 11 | The Wallich | 11 |
| 62 | The Careers Service | 64 |
| **3,005** | **Total Admitted Bodies** | **3,315** |
| | **Scheduled Bodies** | |
| 13 | Coedffranc Community Council | 27 |
| 22 | Cilybebyll Community Council | 22 |
| 26 | Bishop Vaughan School | 26 |
| 0 | Clydach Community Council | 1 |
| 106 | Swansea Bay Port Health Authority | 66 |
| 93 | Swansea City Waste Disposal Company | 96 |
| 1,146 | Gower College | 1,210 |
| 1,132 | NPTC Group | 1,187 |
| 26 | West Glamorgan Valuation Service | 11 |
| 2 | West Glamorgan Fire Service | 2 |
| 50 | Neath Town Council | 61 |
| 22,868 | Neath Port Talbot County Borough Council | 24,089 |
| 54 | Margam Joint Crematorium Committee | 55 |
| 10 | Neath Port Talbot Waste Management | 11 |
| 5 | Pelenna Community Council | 6 |
| 9 | Pontardawe Town Council | 9 |

| | | |
|---|---|---|
| 1,037 | Lliw Valley Borough Council | 980 |
| 5 | Briton Ferry Town Council | 5 |
| 191 | West Glamorgan Magistrates Court | 166 |
| 6,959 | West Glamorgan County Council | 6,777 |
| **33,754** | **Total Scheduled Bodies** | **34,807** |
| **72,012** | **Total Benefits Paid** | **75,861** |

## 7. Payments to and on account of leavers

Transfers out and refunds comprise of:

| 2021/22 £'000 | | 2022/23 £'000 |
|---|---|---|
| 131 | Refunds to members leaving service | 248 |
| 2,675 | Individual transfers to other schemes | 4,230 |
| **2,806** | **Total** | **4,478** |

## 8. Administrative and Investment Manager Expenses

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

| 2021/22 £'000 | | 2022/23 £'000 |
|---|---|---|
| | **Administrative Expenses** | |
| 793 | Support Services(SLA) & Employee Costs | 798 |
| 17 | Printing & Publications | 15 |
| 345 | Other | 595 |
| **1,155** | | **1,408** |
| | **Oversight & Governance** | |
| 35 | Actuarial Fees | 122 |
| 209 | Advisors Fees | 253 |
| 44 | External Audit Fees | 51 |
| 6 | Performance Monitoring Services Fees | 9 |
| 3 | Pension Fund Committee | 1 |
| 3 | Pension Board | 1 |
| 2 | Training | 10 |

| | | |
|---|---|---|
| 135 | Wales Pension Partnership | 158 |
| **437** | | **605** |

| | | |
|---|---|---|
| | **Investment Management Expenses** | |
| 5,894 | Management Fees | 6,978 |
| 5,710 | Performance Fees | 2,537 |
| 284 | Custody Fees | 302 |
| 3,064 | Transaction Costs | 2,277 |
| **14,952** | | **12,094** |
| **16,544** | | **14,107** |

Included in the management expenses is the cost of our involvement in the Wales Pension Partnership (WPP) collective Investment Pooling arrangements.

The table below reflects the costs incurred in financial year 2021/22 and 2022/23

| | **2021/22** | **2022/23** |
|---|---|---|
| | **£'000** | **£'000** |
| **WPP Oversight & Governance Costs** | | |
| Host Authority Costs | 135 | 158 |
| **WPP Investment Management Expenses** | | |
| Fund Manager Fees | 983 | 1,063 |
| Custody Fees | 252 | 224 |
| Transaction Costs | 1,165 | 846 |
| **Total** | **2,535** | **2,291** |

The oversight and governance costs are the annual running costs of the pool which includes the host authority costs and other external advisor costs. These costs are funded equally by all eight of the local authority Pension Funds in Wales. The investment management expenses are fees payable to Link Fund Solutions (the WPP Operator) and include fund manager fees (which also includes the operator fee and other associated costs), transaction costs and custody fees. These costs are based on each Fund's percentage share of WPP pooled assets and are deducted from the Net Asset Value (NAV).

## Note 8 cont'd - Investment Management Expenses

| | 2022-23 | | | | 2021-22 | | | |
|---|---|---|---|---|---|---|---|---|
| | Total | Management Fees | Performance Fees | Transaction Costs | Total | Management Fees | Performance Fees | Transaction Costs |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Pooled Funds | | | | | | | | |
| Equities | **1,764** | 918 | 0 | 846 | **1,992** | 827 | 0 | 1,165 |
| Fixed Income | **329** | 318 | 0 | 11 | **57** | 57 | 0 | 0 |
| Other Investments | | | | | | | | |
| Property | **294** | 479 | -256 | 71 | **749** | 554 | 150 | 45 |
| Private Equity | **3,545** | 3,087 | -78 | 536 | **7,054** | 2,689 | 3,319 | 1,046 |
| Hedge Funds | **466** | 359 | 30 | 77 | **587** | 376 | 145 | 66 |
| Infrastructure | **2,714** | 811 | 1,901 | 2 | **2,195** | 642 | 1,553 | 0 |
| Private Debt | **1,755** | 638 | 941 | 176 | **1,161** | 453 | 543 | 165 |
| Residential Housing | **671** | 171 | 0 | 500 | **710** | 133 | 0 | 577 |
| Derivatives | **105** | 105 | 0 | 0 | **163** | 163 | 0 | 0 |
| Timberland & Farmland | **1** | 1 | 0 | 0 | **0** | 0 | 0 | 0 |
| Trade Finance | **149** | 91 | 0 | 58 | | | | |
| | **11,793** | **6,978** | **2,538** | **2,277** | **14,668** | **5,894** | **5,710** | **3,064** |
| Custody Fees | **302** | | | | 284 | | | |
| **Total** | **12,095** | | | | **14,952** | | | |

The above represents direct fees payable to the appointed fund managers, however, the following investments are appointed via a fund of funds/manager of managers approach which have their own underlying manager fees.

The table below represents the underlying manager fees, these fees are not charged to the accounts but are disclosed here for transparency. The returns for these mandates are net of underlying manager costs, this is reflected in Note 12 within the Change in Market Value.

| **2021/22** | | **2022/23** |
|---|---|---|
| **£'000** | | **£'000** |
| 88 | Partners Group | 150 |
| 913 | Blackrock Hedge Fund | 900 |
| 526 | Schroders Property Fund | 410 |
| 1,114 | EnTrustPermal | 850 |
| 8,664 | HarbourVest | -2,410 |
| 2,473 | WPP | 2,801 |

| | | |
|---|---|---|
| 0 | Pemberton | 53 |
| 341 | Man Group | 314 |
| **14,119** | **Total** | **3,068** |

## 9. Investment Income

| 2021/22 £'000 | | 2022/23 £'000 |
|---|---|---|
| 23,117 | Pooled Fund - Overseas Equities | 27,312 |
| 1,709 | Pooled Fund – Fixed Interest | 2,727 |
| 2,338 | Pooled Investment vehicles - Property Fund | 2,169 |
| 0 | Interest | 22 |
| **27,164** | **Total** | **32,230** |

The equity assets under management by Blackrock 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 this fund will reflect both capital appreciation / depreciation plus reinvested investment income.

During 2022/23, Link Asset Services paid distributions in respect of the income earned on all Wales Pension Partnership sub-funds in which the Fund invests. This income is automatically reinvested into the pooled fund to increase the market value of the holding. Income is only distributed when there is a sufficient amount to do so, after the deduction of any costs, the surplus income is then reinvested.

### Stock Lending

The Fund's investment strategy permits stock lending subject to specific approval. The income earned by the fund through stock lending in 2022/23 was £202k. Currently the Wales Pension Partnership has total quoted equities of £454m on loan. These equities continue to be recognised in the relevant fund's financial statements. No liabilities are associated with the loaned assets.

## 10. Taxation

**a) United Kingdom**
The Fund is exempt from Income Tax on interest 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.

### 11. Investment Assets

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

| 31st March 2022 £'000 | Investment Assets | 31st March 2023 £'000 |
|---|---|---|
| 241,705 | Fixed Interest | 313,442 |
| 37,745 | Index Linked Securities | 27,681 |
| 2,079,114 | Global Equities | 1,849,836 |
| 109,377 | Property | 100,028 |
| 60,857 | Hedge Funds | 61,211 |
| 197,918 | Private Equity | 218,995 |
| 86,613 | Infrastructure | 107,188 |
| 56,248 | Private Debt | 70,721 |
| 18,192 | Residential Housing | 22,659 |
| 0 | Trade Finance | 102,159 |
| 133 | Timberland & Farmland | 136 |
| 1,632 | Derivatives | 11,491 |
| **2,889,534** | **Total Investment Assets** | **2,885,547** |

## 12. Changes in Investment Assets

| | | Value at 31.3.22 | Purchases | Sales | Change in Market Value | Value at 31.3.23 |
|---|---|---|---|---|---|---|
| | | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Equities** | | | | | | |
| | Blackrock (Passive) | 750,028 | 0 | (100,000) | (31,146) | 618,882 |
| | WPP | 1,329,086 | 27,312 | (102,036) | (23,408) | 1,230,954 |
| | | 2,079,114 | 27,312 | (202,036) | (54,554) | 1,849,836 |
| **Property** | | | | | | |
| UK & Europe | Schroders | 65,010 | 8,131 | (5,406) | (9,487) | 58,917 |
| Overseas | Partners | 13,753 | 0 | (1,096) | (1,351) | 11,306 |
| | Invesco | 30,614 | 0 | (1,208) | 399 | 29,805 |
| | | 109,377 | 8,131 | (7,710) | (10,439) | 100,028 |
| **Fixed Interest** | | | | | | |
| Fixed Interest | | | | | | |
| | Blackrock (Passive) | 79,039 | 0 | (69,227) | (9,812) | 0 |
| | WPP - Absolute Return Bonds | 64,378 | 522 | (48) | 859 | 65,711 |
| | WPP - Multi Asset Credit | 64,439 | 2,205 | (49) | (6,174) | 60,421 |
| | Russell (Equity Protection) | 33,849 | 0 | (35,141) | 1,292 | 0 |
| | Fidante - Global Bond Fund | 0 | 44,000 | (21,017) | 438 | 23,421 |
| | T Rowe Price - Global Bond Fund | 0 | 220,000 | (50,258) | (5,853) | 163,889 |
| | | 241,705 | 266,727 | (175,740) | (19,250) | 313,442 |
| **Index-Linked** | | | | | | |
| | Blackrock | 37,745 | 0 | 0 | (10,064) | 27,681 |
| | | 37,745 | 0 | 0 | (10,064) | 27,681 |
| **Hedge Funds** | | | | | | |
| | Blackrock | 32,581 | 0 | (224) | 1,014 | 33,371 |
| | EnTrustPermal | 28,276 | 0 | (324) | (112) | 27,840 |
| | | 60,857 | 0 | (548) | 902 | 61,211 |
| **Private Equity** | | | | | | |
| | HarbourVest | 149,025 | 15,516 | (12,759) | 3,368 | 155,150 |
| | Blackstone | 48,893 | 18,446 | (2,508) | (986) | 63,845 |
| | | 197,918 | 33,962 | (15,267) | 2,382 | 218,995 |
| **Infrastructure** | | | | | | |
| | Igneo Infrastructure Partners | 81,910 | 0 | (3,946) | 16,007 | 93,971 |
| | Blackrock GRP | 4,703 | 6,995 | (853) | 2,372 | 13,217 |
| | Capital Dynamics | 0 | 0 | (1) | 1 | 0 |
| | GCM Grosvenor | 0 | 0 | 0 | 0 | 0 |
| | | 86,613 | 6,995 | (4,800) | 18,380 | 107,188 |
| **Private Debt** | | | | | | |
| | Alcentra | 15,884 | 1,487 | (1,663) | 1,100 | 16,808 |
| | CVC | 19,547 | 10,647 | (2,250) | 3,642 | 31,586 |
| | GSAM Broad Street | 20,817 | 2,502 | (6,050) | 5,058 | 22,327 |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | 56,248 | 14,636 | (9,963) | 9,800 | 70,721 |
| **Residential Housing** | Columbia Threadneedle | 0 | 0 | 0 | 0 | 0 |
| | Man Group | 18,192 | 3,268 | (671) | 1,870 | 22,659 |
| | | 18,192 | 3,268 | (671) | 1,870 | 22,659 |
| **Timberland & Farmland** | Manulife | 133 | 0 | (6) | 9 | 136 |
| | Stafford | 0 | 0 | 0 | 0 | 0 |
| | | 133 | 0 | (6) | 9 | 136 |
| **Trade Finance** | Pemberton | 0 | 50,000 | (96) | 1,327 | 51,231 |
| | Allianz Global Investors | 0 | 50,000 | (84) | 1,012 | 50,928 |
| | | 0 | 100,000 | (180) | 2,339 | 102,159 |
| **Derivatives** | | | | | | |
| | Russell | 1,632 | 19,000 | (6,265) | (2,876) | 11,491 |
| | | 1,632 | 19,000 | (6,265) | (2,876) | 11,491 |
| **SUB TOTAL** | | **2,889,534** | **480,031** | **(423,186)** | **(61,501)** | **2,885,547** |
| **Cash** | | **31,832** | | | | **15,964** |
| **Other Investment Balances - Dividends Due** | | **301** | | | | **3** |
| **TOTAL** | | **2,921,667** | | | **(61,501)** | **2,901,514** |

## 13. Realised Profit on the Sale of Investments

| 2021/22 £'000 | | 2022/23 |
|---|---|---|
| 396 | Property Fund | 181 |
| **396** | **Net Profit** | **181** |

## 14. Concentration of Investments

The following investments represented more than 5% of the Plan's net assets as at 31st March 2023.

| Fund | Value at 31st March 2022 £'000 | Proportion of Net Asset | Value at 31st March 2023 £'000 | Proportion of Net Asset |
|---|---|---|---|---|
| Blackrock ACS Low Carbon Tracker Fund | 702,440 | 24.0% | 573,830 | 19.7% |
| WPP Global Opportunities Fund | 1,329,086 | 45.4% | 1,230,954 | 42.4% |
| HarbourVest Private Equity Fund | 152,884 | 5.2% | 155,150 | 5.3% |

| | | | | |
|---|---|---|---|---|
| T Rowe Price - Global Bond Fund | 0 | 0.0% | 163,889 | 5.6% |

## 15. Current Assets & Liabilities

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

| 31st March 2022 £'000 | | 31st March 2023 £'000 |
|---|---|---|
| | **Current Assets** | |
| 900 | Contributions - Employees | 875 |
| 3,656 | Contributions – Employers | 3,564 |
| 661 | Early Access Contributions Debtor | 1,082 |
| 488 | Transfer Values | 729 |
| 232 | Fund Manager Distributions | 1,136 |
| 749 | Other | 927 |
| **6,686** | | **8,313** |
| | **Current Liabilities** | |
| -89 | Investment Management Expenses | -188 |
| -1,585 | Commutation and Lump Sum Retirement Benefits | -1,834 |
| -322 | Lump Sum Death Benefits | -221 |
| -601 | Transfers to Other Schemes | -263 |
| -705 | Payroll Deductions - Tax | -804 |
| -819 | Other | -759 |
| **-4,121** | | **-4,069** |
| **2,565** | **Net** | **4,244** |

## 16. Current Assets & Liabilities – Early Access Debtor

| | Instalment Due 2023/24 £'000 | Instalment Due 2024/25 £'000 | Instalment Due 2025/26 £'000 | Total £'000 |
|---|---|---|---|---|
| Early Access Principal Debtor | 1,082 | 0 | 0 | 1,082 |
| Early Access Interest Debtor | 0 | 0 | 0 | 0 |

| | | | | |
|---|---|---|---|---|
| **Total (Gross)** | **1,082** | **0** | **0** | **1,082** |

**17. Capital and Contractual Commitments**

As at 31 March 2023 the Scheme was committed to providing additional funding to certain managers investing in unquoted securities. These commitments amounted to £499.3m (2021/22: £254.8m).

The outstanding commitment of £499.3m includes the following new commitments which were made in year to new and existing funds :

| Fund Manager | Asset Class | Fund Name | New Commitment £M |
|---|---|---|---|
| Stafford | Timberland & Farmland | Stafford International Timberland Fund X | 60 |
| Stafford | Timberland & Farmland | Stafford Carbon Offset Opportunities Fund | 40 |
| HarbourVest | Private Equity | HV Red Dragon (I) | 158 |
| Pemberton | Trade Finance | Pemberton Working Capital Finance Strategy | 50 |
| Allianz Global Investors | Trade Finance | Allianz Global Investor Trade Finance Fund | 50 |
| GCM Grosvenor | Infrastructure | WPP GCM Grosvenor Global Infrastructure Fund | 20 |
| Capital Dynamics | Infrastructure | Capital Dynamics CEI WPP | 10 |

**18. Related Party Transactions**

£798k (£793k 21/22) paid to the City & County of Swansea for the recharge of Administration, I.T., Finance and Legal Services during the year.

The Chief Finance Officer of City & County of Swansea also undertakes the role of Clerk and Treasurer of Swansea Bay Port Health Authority

Contributions received from admitted and scheduled bodies are detailed on page 99.

The City & County of Swansea acts as administering Authority for the City & 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.

**Related Party Transactions Cont'd**

The Pension Fund currently has 41 scheduled and admitted bodies. Management of the Pension Scheme Investment Fund is undertaken by a panel. The panel is advised by an investment consultancy service.

**Key Management Personnel**

The key management personnel of the Fund are the Director of Finance and the Chief Executive. The figures show the increase in value of post-employment benefits provided to these individuals over the accounting year based on the percentage of time spent on matters relating to the Pension Fund. The value of these benefits has been calculated consistently with those of the whole Fund disclosure provided in Part D, albeit that the figures have been calculated at different dates to those used for the whole of fund disclosure.

| | **Increase/(decrease) in IAS19 liability to 31 March 2023 £** | **Increase/(decrease) in IAS19 liability to 31 March 2022 £** |
|---|---|---|
| Previous Chief Executive | - | 45,000 |
| Chief Executive | 23,000 | - |
| Section 151 Officer & Director of Finance | 24,000 | 45,000 |

| | **Short Term Benefits to 31 March 2023** | | **Short Term Benefits to 31 March 2022** | |
|---|---|---|---|---|
| | **Remuneration (Including Fees & Allowances)** | **Pension Contributions (24.7%)** | **Remuneration (Including Fees & Allowances)** | **Pension Contributions (24.7%)** |

| | £ | £ | £ | £ |
|---|---|---|---|---|
| Previous Chief Executive | - | - | 154,962 | - |
| Chief Executive | 152,156 | 37,583 | - | - |
| Section 151 Officer & Director of Finance | 118,147 | 29,182 | 110,677 | 27,337 |

| | Post Employment Benefits | |
|---|---|---|
| | **2022/23** | **2021/22** |
| Previous Chief Executive | 78 | 143 |

- The previous Chief Executive retired in May 2022. Since the member has not accrued any benefits over the accounting period as the member become deferred on 30 September 2019, the increase in liabilities for 2022/23 is nil.
- The Chief Executive Officer commenced as Interim Chief Executive Officer in May 2022 and was appointed as the permanent Chief Executive Officer in November 2022.
- The Director of Finance was promoted from Chief Finance Officer in 21/22, the short-term benefits are reduced due to the Officer opting to take up the 50/50 scheme during 20/21. However, the Officer rejoined the main scheme in April 2022 and then went back into the 50/50 scheme in December 2022.

**Governance**

There are 7 Council members of the Pensions 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.

The following Councillors on the Pension Fund committee were also members of other bodies during 2022/23 :

- Cllr Mike Lewis – Member of Swansea Bay Port Health Authority and a member of the WPP Joint Governance Committee
- Cllr Will Thomas – Member of Mumbles Community Council

## 19. Other Fund Documents

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

- Statement of Investment Principles

- Funding Strategy Statement
- Governance Statement
- Communication Policy
- ESG Policy

## 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, Aegon and Utmost.

The Pension Fund accounts do not include the assets held by The Prudential, Utmost or Aegon. AVC's are not included in the accounts in accordance the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (SI 2016/946) but are disclosed as a note only.

| AVC Provider | Value of Funds at 01/04/22 | Purchases at Cost (Contributions In/Out) | Sale Proceeds | Change in Market Value | Value of Funds at 31/03/23 |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Prudential | 9,947 | 1,860 | -967 | -160 | 10,680 |
| Aegon | 1,063 | 0 | -189 | -12 | 862 |
| Utmost | 250 | 1 | -11 | -11 | 229 |
| **Totals** | **11,260** | **1,861** | **-1,167** | **-183** | **11,771** |

## 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 2023 there were 22,699 contributors, 14,737 pensioners and 12,390 deferred pensioners.

Of the 22,699 Contributors to the fund, it has been established that 2,043 of those have not made contributions during 2022/23. This is as a result of instances such as employers setting up records for auto enrolled casual employees, whose records have not been extinguished and employees on long term sick on nil pay. Covid continues to impact on these numbers (1,874 in 2021/2022), as some establishments were closed during the pandemic and some services are still to resume. There is an ongoing exercise to investigate each case, in the hope of reducing this number.

| Membership statistics | 31/03/19 | 31/03/20 | 31/03/21 | 31/03/22 | 31/03/23 |
|---|---|---|---|---|---|
| | **Number** | **Number** | **Number** | **Number** | **Number** |
| Contributors | 19,888 | 20,050 | 20,388 | 21,424 | 22,699 |
| Pensioners | 13,229 | 13,610 | 13,864 | 14,294 | 14,737 |
| Deferred Pensioners | 11,874 | 11,838 | 11,829 | 12,263 | 12,390 |
| **Total** | **44,991** | **45,498** | **46,081** | **47,981** | **49,826** |

See Appendix 1 for current year analysis.

**22. Fair Value of Investments**

**Financial Instruments**
The Fund invests through pooled vehicles. 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 and Losses**
Gains and losses on Financial Instruments have been disclosed within note 12 of the Pension Fund accounts.

IFRS9 introduced a new classification under the code :

- recognition of expected loss allowances for financial assets at amortised cost, fair value through comprehensive income (FVOCI) assets, lease receivables, contract assets, loan commitments and financial guarantees.
- the option of additional disclosures for hedge accounting.

As the assets and liabilities held by the Pension Fund are already classed as fair value through profit and loss (FVTPL) and this is expected to continue, consequently there are no changes to the measurement or classification of investment assets and liabilities.

**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 – where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Comprise quoted equities, quoted bonds and unit trusts.

- Level 2 – where quoted market prices are not available, or where valuation techniques are used to determine fair value based on observable data.

- Level 3 – where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The table on the following page shows the position of the Fund's assets at 31st March 2022 and 2023 based upon this hierarchy.

**FAIR VALUE - HIERARCHY**

| | 31 March 2023 | | | | 31 March 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | Market Value | Level 1 | Level 2 | Level 3 | Market Value | Level 1 | Level 2 | Level 3 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Pooled Investment Vehicles** | | | | | | | | |
| Global Equity | 1,849,836 | | 1,849,836 | | 2,079,114 | | 2,079,114 | |
| Fixed Interest | 313,442 | | 313,442 | | 241,705 | | 241,705 | |
| Index-linked | 27,681 | | 27,681 | | 37,745 | | 37,745 | |
| Property Unit Trust | 23,807 | | | 23,807 | 27,562 | | | 27,562 |
| Property Fund | 76,221 | | | 76,221 | 81,815 | | | 81,815 |
| Hedge Fund | 61,211 | | | 61,211 | 60,857 | | | 60,857 |
| Private Equity | 218,995 | | | 218,995 | 197,918 | | | 197,918 |
| Infrastructure | 107,188 | | | 107,188 | 86,613 | | | 86,613 |
| Private Debt | 70,721 | | | 70,721 | 56,248 | | | 56,248 |
| Residential Housing Fund | 22,659 | | | 22,659 | 18,192 | | | 18,192 |
| Timberland & Farmland Fund | 136 | | | 136 | 133 | | | 133 |
| Trade Finance | 102,159 | | | 102,159 | 0 | | | |
| Derivatives | 11,491 | 11,491 | | | 1,632 | 1,632 | | |
| Cash | 15,967 | 15,967 | - | - | 32,133 | 32,133 | | |
| **Total** | **2,901,514** | **27,458** | **2,190,959** | **683,097** | **2,921,667** | **33,765** | **2,358,564** | **529,338** |

## Fair Value of Investments cont'd - Fair Value Hierarchy - Basis of Valuation

| Description of Asset | Valuation Hierarchy | Basis of Valuation | Observable & unobservable inputs | Key Sensitivities affecting the valuations provided |
|---|---|---|---|---|
| **Pooled Investment Vehicles** | | | | |

| | | | | |
|---|---|---|---|---|
| Market Quoted Investments - Global Equity | Level 2 | Closing bid price where bid and offer prices are published. Closing single price where single price published. | NAV based pricing set on a forward pricing policy | Not Required |
| Fixed Interest and Index Linked | Level 2 | Closing bid price where bid and offer prices are published. Closing single price where single price published. | NAV based pricing set on a forward pricing policy | Not Required |
| Property Fund | Level 3 | Valued quarterly at NAV in accordance with International Private Equity and Venture Capital Association Guidelines | EBITDA multiples, revenue multiples, discount for lack of market evidence, control premium | Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows and by differences between audited and unaudited accounts. |
| Infrastructure | Level 3 | Valued quarterly at NAV using independent valuations prepared by an external expert. Valuations are in accordance with International Private Equity and Venture Capital Association Guidelines and primarily utilise a DCF methodology. Fund financial statements are audited on an annual basis by an external auditor under Luxembourg GAAP. | Valuations are based on company specific financial models. Cross-checks are made to comparable listed company valuations. | Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows and by differences between audited and unaudited accounts. |
| Hedge Fund | Level 3 | Closing bid price where bid and offer prices are published. Closing single price where single price published. | NAV based pricing set on a forward pricing policy | Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows and by differences between audited and unaudited accounts. |
| Timberland & Farmland Fund | Level 3 | Each of the Fund’s investments is appraised semi-annually. Prior to its first appraisal, an investment is valued at cost plus any capital expenditures less any liabilities and thereafter is independently appraised in June and December in the year following the acquisition date. | Under the Fund’s current valuation policy, MIMTA selects and supervises third party appraisal firms. For operating company investments, the Fund engages financial advisory firms to conduct an enterprise valuation analysis within 12 months after the operating | Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows and by differences between audited and unaudited accounts |

| | | | | |
|---|---|---|---|---|
| | | | company's acquisition date and each June and December thereafter. | |
| Unquoted Private Equity | Level 3 | Valued quarterly at NAV using the market approach using quarterly financial statements in accordance with International Private Equity and Venture Capital Association Guidelines | EBITDA multiples, revenue multiples, discount for lack of market evidence, control premium | Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows and by differences between audited and unaudited accounts. |
| Residential Housing | Level 3 | Quarterly calculated NAV with at least annual investment appraisals. Prior to its first appraisal, an investment is valued at cost plus capital expenditures until independently appraised in December following the acquisition date. Valuation methods are applied in accordance with the RICS Red Book Global Standards. | Cashflow period, projected income and expenditure based on expected tenure type, growth of income and expenditure, voids, staircasing rate, discount rate, margin risk for developments. | Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows and by differences between audited and unaudited accounts. Changes to assumption of unobservable inputs and to observable inputs. |
| Trade Finance | Level 3 | Valued monthly at NAV using independent valuations prepared by an internal valuation team. Valuations primarily utilise a DCF methodology. Fund financial statements are audited on an annual basis by an external auditor under Luxembourg GAAP. | Valuations are based on proprietary valuation models. Typically, daily updated market data from external sourcing providers (like Bloomberg or S&P) is used in modelling. | Valuations could be affected by material events occurring between the date of the financial statements provided and the fund's own reporting date, by changes to expected cashflows and by changes to assumption of unobservable inputs and to observable inputs. |

## 23. Investment Risks

As demonstrated above, the Fund maintains positions indirectly via its fund 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 2016 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 Investment Strategy Statement (ISS) 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 manager. 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.

**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 investment 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 mandates are valued at £126,132k is managed (by Russell Investments on behalf of Wales Pension Partnership) on an unconstrained basis and has a significant exposure to credit, emerging market debt and loans. At 31st March 2023, the Fund's exposure to non-investment grade paper was 64.5% 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 Funds private equity investments of £218,995 are managed by HarbourVest and Blackstone in fund of funds portfolios.

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 2023 is set out below with their relative exposure to credit risk :

| | March 2023<br>£'000 | Credit Exposure<br>% |
|---|---|---|
| EnTrustPermal | 27,840 | 62.55 |
| Blackrock | 33,371 | 8.4 |

**Liquidity Risk**

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. 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 much more 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 76% 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 worst – 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 specified fund 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 2023 by liquidity profile :

| | Amounts at 31st March 2023 £000s | Within 1 month £000s | 1-3 months £000s | 4-12 months £000s | > 1 Year £000s |
|---|---|---|---|---|---|
| **Pooled Investment Vehicles** | | | | | |
| Overseas Equity | 1,849,836 | 1,849,836 | 0 | 0 | 0 |
| Fixed Interest | 313,442 | 313,442 | 0 | 0 | 0 |
| Index-linked | 27,681 | 27,681 | 0 | 0 | 0 |
| Property Unit Trust | 23,807 | 0 | 0 | 23,807 | 0 |
| Property Fund | 76,221 | 0 | 0 | 35,110 | 41,111 |
| Hedge Fund | 61,211 | 0 | 0 | 61,211 | 0 |
| Private Equity | 218,995 | 0 | 0 | 0 | 218,995 |
| Infrastructure | 107,188 | 0 | 0 | 0 | 107,188 |
| Private Debt | 70,721 | 0 | 0 | 0 | 70,721 |
| Residential Housing | 22,659 | 0 | 0 | 0 | 22,659 |
| Timberland & Farmland | 136 | 0 | 0 | 0 | 136 |
| Trade Finance | 102,159 | 102,159 | 0 | | 0 |
| Derivatives | 11,491 | 11,491 | 0 | 0 | 0 |
| Deposits with banks and other financial institutions | 15,967 | 15,967 | 0 | 0 | 0 |
| **Total** | **2,901,514** | **2,320,576** | **0** | **120,128** | **460,810** |

## 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 drawdowns 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 2021.

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 80% of the portfolio is realisable within 1 month and 84% 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.

Market risk is comprised of two elements :

- 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 risk by exceeding market performance.

The table below sets out an analysis of the Fund's market risk positions at 31 March 2023 by showing the amount invested in each asset class and through each manager within each main asset class, the index used as a benchmark, the target set for managers against this benchmark:

| Asset Class | Target Asset Allocation | Fund Manager | | | Benchmark | Performance target |
|---|---|---|---|---|---|---|
| | | Passive | Active | Total | | |
| Global Equities | 61% +/- 5% | 22%<br>Blackrock - Low Carbon Fund & EM | 43%<br>Wales Pension Partnership | 65% | MSCI All World Index Net | +2% p.a. over rolling 3 year |
| Global Fixed Interest | 5% +/- 5% | 1%<br>Blackrock | 4%<br>Wales Pension Partnership | 5% | Libor | LIBOR +3% |
| Property | 5% +/- 5% | - | 4%<br>Schroders, Partners & Invesco | 4% | IPD UK Pooled Property Fund Index | + 1% p.a. over rolling 3 year, 8% absolute return |
| Hedge Funds | 2% +/- 1% | - | 2%<br>Blackrock & EnTrustPermal | 2% | Libor | +4% |
| Private Equity | 5% +/- 5% | - | 7%<br>Harbourvest, Blackstone | 7% | FTSE allshare | +3% p.a. over 3 year rolling |
| Infrastructure | 5% +/- 5% | - | 3%<br>Igneo, Blackrock, GCM Grosvenor, Capital Dynamics | 3% | 10% Absolute | 10% Absolute |
| Residential Housing | 5% +/- 5% | - | 1%<br>Threadneedle, Man Group | 1% | 6% Absolute | 6% Absolute |
| Private Debt | 5% +/-1% | - | 2%<br>Alcentra, CVC, GSAM Broad Street | 2% | 7% Absolute | 7% Absolute |
| Timberland & Farmland | 3% +/-1% | - | 0%<br>Manulife - HTFF, Stafford | 0% | 8-11% Gross IRR | 8-11% Gross IRR |
| Trade Finance | 3% +/-1% | - | 4%<br>Pemberton, Allianz | 4% | USD 3 Month Libor | USD 3 Month Libor +2.5% |
| Cash<br>In house and FM Cash<br>Global Bond Funds | 1% +/- 5% | - | 7%<br>In house and FM Cash<br>Fidante, T Rowe Price | 7% | 7day LIBID<br>SONIA | =<br>SONIA |
| TOTAL | 100% | 23% | 77% | 100% | | |

## 23. Investment Risks (Continued)

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 2016. The Fund also adopts a specific strategic benchmark (details can be found in the Fund's ISS) 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 strategy, is designed to diversify and minimise risk through a broad spread of investments across both the main and alternative asset classes and geographic regions within each asset class. 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.

## 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 financial instruments. Possible losses from shares sold short is unlimited.

Following analysis of historical data and expected investment returns movement during the financial year and in consultation with the Fund's investment advisors, the Council has determined 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 31st March 2023 would have been as follows:

**Price Risk**

| Asset Type | Value (£'000) | % Change | Value on Increase | Value on Decrease |
|---|---|---|---|---|
| Overseas Equities | 1,849,836 | 12.4920 | 2,080,917 | 1,618,755 |
| Total Bonds & Index-Linked | 313,442 | 5.6880 | 331,270 | 295,614 |
| Alternatives | 622,241 | 5.3264 | 655,384 | 589,098 |
| Cash | 15,967 | 0.6776 | 16,075 | 15,859 |
| Property | 100,028 | 6.4708 | 106,501 | 93,555 |
| Other Investment Balances | - | - | - | - |
| **Total Assets*** | **2,901,514** | **7.9427** | **3,131,974** | **2,671,054** |

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

and as at 31st March 2022

**Price Risk**

| Asset Type | Value (£'000) | % Change | Value on Increase | Value on Decrease |
|---|---|---|---|---|
| Overseas Equities | 2,079,114 | 13.58 | 2,361,458 | 1,796,770 |
| Total Bonds & Index-Linked | 281,082 | 5.40 | 296,260 | 265,904 |
| Alternatives | 419,961 | 5.29 | 442,177 | 397,745 |
| Cash | 32,133 | 0.91 | 32,425 | 31,841 |
| Property | 109,377 | 5.24 | 115,108 | 103,646 |
| Other Investment Balances | - | - | - | - |
| **Total Assets*** | **2,921,667** | **8.94** | **3,182,864** | **2,660,470** |

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

## 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 31st March 2023 :

**Currency Risk (by currency)**

| Currency | Value (£'000) | % Change | Value on Increase | Value on Decrease |
|---|---|---|---|---|
| Australian Dollar | - | - | - | - |
| Brazilian Real | - | - | - | - |
| Canadian Dollar | - | - | - | - |
| Danish Krone | - | - | - | - |
| EURO | 156,513 | 5.3487 | 164,884 | 148,142 |
| Hong Kong Dollar | - | - | - | - |
| Indian Rupee | - | - | - | - |
| Indonesian Rupiah | - | - | - | - |
| Israeli Shekel | - | - | - | - |
| Japanese Yen | - | - | - | - |
| Malaysian Ringgit | - | - | - | - |
| Mexican Peso | - | - | - | - |
| Norwegian Krone | - | - | - | - |
| Chinese Renminbi Yuan | - | - | - | - |
| Philippine Peso | - | - | - | - |
| Russian Rouble | - | - | - | - |
| Singapore Dollar | - | - | - | - |
| South African Rand | - | - | - | - |
| South Korean Won | - | - | - | - |
| Swedish Krona | - | - | - | - |
| Swiss Franc | - | - | - | - |
| Taiwan Dollar | - | - | - | - |
| Thai Baht | - | - | - | - |
| Turkish Lira | - | - | - | - |
| US Dollar | 254,675 | 9.1214 | 277,905 | 231,445 |
| **Pooled Vehicles** | | | | |
| Overseas Equities | 1,804,784 | 7.1862 | 1,934,479 | 1,675,089 |
| Low Carbon Index | 702,440 | 7.1862 | 752,919 | 651,961 |
| Emerging Mrkts | 45,052 | 6.4641 | 47,964 | 42,140 |
| **Total Currency*** | **2,963,464** | **6.3000** | **3,150,162** | **2,776,766** |

***The % change for Total Currency includes the impact of correlation across the underlying currencies***

## and as at 31st March 2022

**Currency Risk (by currency)**

| Currency | Value (£'000) | % Change | Value on Increase | Value on Decrease |
|---|---|---|---|---|
| Australian Dollar | - | - | - | - |
| Brazilian Real | - | - | - | - |
| Canadian Dollar | - | - | - | - |
| Danish Krone | - | - | - | - |
| EURO | 159,103 | 5.5939 | 168,003 | 150,203 |
| Hong Kong Dollar | - | - | - | - |
| Indian Rupee | - | - | - | - |
| Indonesian Rupiah | - | - | - | - |
| Israeli Shekel | - | - | - | - |
| Japanese Yen | - | - | - | - |
| Malaysian Ringgit | - | - | - | - |
| Mexican Peso | - | - | - | - |
| Norwegian Krone | - | - | - | - |
| Chinese Renminbi Yuan | - | - | - | - |
| Philippine Peso | - | - | - | - |
| Russian Rouble | - | - | - | - |
| Singapore Dollar | - | - | - | - |
| South African Rand | - | - | - | - |
| South Korean Won | - | - | - | - |
| Swedish Krona | - | - | - | - |
| Swiss Franc | - | - | - | - |
| Taiwan Dollar | - | - | - | - |
| Thai Baht | - | - | - | - |
| Turkish Lira | - | - | - | - |
| US Dollar | 210,292 | 8.3051 | 227,757 | 192,827 |
| **Pooled Vehicles** | | | | |
| Overseas Equities | 1,329,086 | 6.4050 | 1,414,214 | 1,243,958 |
| Low Carbon Index | 702,440 | 6.4050 | 747,431 | 657,449 |
| Emerging Mrkts | 47,588 | 5.7500 | 50,324 | 44,851 |
| **Total Currency*** | **2,448,509** | **7.3000** | **2,627,250** | **2,269,768** |

***The % change for Total Currency includes the impact of correlation across the underlying currencies***

**Interest Rate Risk**

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 have a material impact on these accounts.

## 25. Cost Management Process and McCloud Judgement

Initial results from the Scheme Advisory Board 2016 cost management process indicated that benefit improvements / member contribution reductions equivalent to 0.9% of pay would be required. However, the cost management process was paused following the Court of Appeal ruling that the transitional arrangements in both the Judges' Pension Scheme (McCloud) and Firefighters' Pension Scheme (Sargeant) constituted illegal age discrimination. Government confirmed that the judgement would be treated as applying to all public service schemes including the LGPS (where the transitional arrangements were in the form of a final salary underpin) and a consultation on changes to the LGPS was issued in July 2020.

The employer contributions certified from 1 April 2020 as part of the 2019 valuation include an allowance of 1.5% of pay in relation to the potential additional costs of the McCloud judgement / cost management process. This was a simplified approach which didn't take account of different employer membership profiles or funding targets and may be more or less than the assessed cost once the final details of the LGPS changes arising from the 2016 cost management process have been agreed.

## 26. Further Information

Further information about the fund can be found in the attached appendices. Information can also be obtained from the Deputy Chief Finance Officer, Room 152, Guildhall, Swansea SA1 4NR or on www.swanseapensionfund.org.uk.

## 27. Financial Position

The accounts outlined within the statement represent the financial position of the City and County of Swansea's Pension Fund at 31 March 2023.

# PART C
# INVESTMENT REPORT

**Pension Fund – Budget 2023/24**

| | Actual 2021/22 | Actual 2022/23 | Estimate 2023/24 |
|---|---|---|---|
| **Membership Numbers** | | | |
| Contributors | 21,424 | 22,699 | 22,800 |
| Pensioners | 14,294 | 14,737 | 15,500 |
| Deferred | 12,263 | 12,390 | 12,500 |
| | 47,981 | 49,826 | 50,800 |

| | Actual 2021/22 £'000 | Actual 2022/23 £'000 | Estimate 2023/24 £'000 |
|---|---|---|---|
| **Income** | | | |
| Employer Contributions | 86,043 | 95,666 | 80,000 |
| Employee Contributions | 21,485 | 23,915 | 26,200 |
| Transfers In | 6,415 | 4,179 | 3,500 |
| Other Income | 5 | 14 | 15 |
| Investment Income | 27,164 | 32,230 | 33,000 |
| | **141,112** | **156,004** | **142,715** |
| **Expenditure** | | | |
| Pensions Payable | 72,012 | 75,861 | 83,251 |
| Lump Sum Benefits | 15,235 | 16,115 | 14,500 |
| Death Grants | 2,645 | 2,416 | 2,500 |
| Refunds | 131 | 248 | 240 |
| Transfers Out | 2,675 | 4,230 | 3,500 |
| | **92,698** | **98,870** | **103,991** |
| **Administrative Expenses** | | | |
| Support Services | 793 | 798 | 827 |
| Actuarial Fees | 35 | 132 | 50 |

| | | | |
|---|---|---|---|
| Consultancy Service | 209 | 253 | 220 |
| External Audit Fees | 44 | 51 | 48 |
| Performance Monitoring Fees | 6 | 9 | 7 |
| Printing & Publications | 17 | 15 | 20 |
| Software Licences | 295 | 346 | 350 |
| Membership Fees | 29 | 22 | 35 |
| Legal Fees | 18 | 21 | 24 |
| Other | 5 | 196 | 210 |
| Pension Fund Committee | 2 | 1 | 2 |
| Local Pension Board | 2 | 1 | 2 |
| Training | 2 | 10 | 10 |
| Wales Pension Partnership Fees | 135 | 158 | 206 |
| | **1,592** | **2,013** | **2,011** |
| **Investment Expenses** | | | |
| Management Fees | 5,894 | 6,978 | 6,900 |
| Performance Fees | 5,710 | 2,537 | 4,000 |
| Custody Fees | 284 | 302 | 310 |
| Transaction Costs | 3,064 | 2,277 | 3,000 |
| | **14,952** | **12,094** | **14,210** |

## Investment Strategy

The Strategic Aim of the Fund is to achieve the maximum return consistent with acceptable levels of risk and the long term nature of the Fund's liabilities.

Fund monies that are not currently needed to meet pension and benefit payments are invested in approved securities and the Fund receives income from these investments. The powers to invest are contained within the Local Government Pension Scheme Regulations.

## Investment Fund Management

The investment of the Fund is the responsibility of the Pension Fund Committee. The Committee as at 31st March 2023 comprised (Appendix 2) :-

- 7 Councillor Members (one member from Neath Port Talbot CBC representing other scheme employers) advised by:

- Section 151 Officer
- Deputy Chief Finance Officer
- Investment Consultants

The Committee, after taking account of the views of the investment consultants/advisors 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 is regularly reviewed to achieve a structure which efficiently and effectively meets the Fund's objective.

The Fund's current managers are:

| **Asset Class** | **Manager** |
|---|---|
| Global Equities | Russell Investments on behalf of Wales Pension Partnership & Blackrock |
| Derivatives Mandate | Russell Investments |
| Fixed Interest | Russell Investments on behalf of Wales Pension Partnership & Blackrock |
| Fund of Hedge Funds | Blackrock & EnTrustPermal |
| Fund of Private Equity Funds | HarbourVest & Blackstone |
| European Property Fund | Invesco |
| Fund of Property Funds | Partners Grp & Schroders Investment Management |
| Infrastructure Funds | Igneo Investments, Blackrock, Capital Dynamics & GCM Grosvenor |
| Fund of Private Debt | Alcentra, CVC Credit Partners, Goldman Sachs |
| Residential Housing | Columbia Threadneedle, Man Group |
| Timberland & Farmland | Manulife, Stafford Capital Partners |
| Liquidity Management | Fidante & T Rowe Price |

## Valuation of Investments

The value of the Fund's investments of £2,901.5m together with net assets totalling £4.2m decreased from £2,924.2m to £2,905.7m during 2022/23

The decrease of £18.4m is comprised of two elements:

| **2021/22 £'000** | | **2022/23 £'000** |
|---:|---|---:|
| 305,071 | Net Return on Investments | -29,271 |
| 4,706 | Add Net additions from dealing with members | 10,797 |
| **309,777** | | **-18,474** |

The market value of the Fund's investments over the past 10 years is illustrated in Appendix 3.

## Distribution of Investments

The following table shows the distribution of the Fund's investments at 31 March 2023 at Bid price Market Values.

**31 March 2022** **31 March 2023**

| £'000 | % | | £'000 | % |
|---|---|---|---|---|
| 241,705 | 8.3 | Fixed Interest Securities | 313,442 | 10.8 |
| 37,745 | 1.3 | Index Linked Securities | 27,681 | 1.0 |
| 2,079,114 | 71.0 | Global Equities | 1,849,836 | 63.8 |
| 109,377 | 3.8 | Property | 100,028 | 3.4 |
| 60,857 | 2.0 | Hedge Funds | 61,211 | 2.1 |
| 197,918 | 6.8 | Private Equity | 218,995 | 7.5 |
| 86,613 | 3.0 | Infrastructure | 107,188 | 3.7 |
| 56,248 | 2.0 | Private Debt | 70,721 | 2.4 |
| 18,192 | 0.6 | Residential Housing | 22,659 | 0.8 |
| 133 | 0.0 | Timberland & Farmland | 136 | 0.0 |
| 0 | 0.0 | Trade Finance | 102,159 | 3.5 |
| 1,632 | 0.1 | Derivatives | 11,491 | 0.4 |
| 32,133 | 1.1 | Cash/Temporary Investments | 15,967 | 1.1 |
| **2,921,667** | **100** | | **2,901,514** | **100** |

**31st March 2023 - Distribution of Investments**

**Fund Manager Bid Prices**

| | Blackrock (Passive) | WPP | Russell | Schroders Property | Invesco | Partners Group | Blackrock (Hedge) | EnTrust Permal | Igneo Infra | WPP GCM Grosvenor | Capital Dynamics | Blackrock GRP 111 | Harbour Vest | Black stone | Alcentra | CVC | Broad Street | CT Res Fund | Man Group | Manulife | Stafford | Allianz | Pemberton | Fidante | T Rowe Price | External Cash (NT) | Internal Cash | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ |
| **Equities** | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| ACS World Low Carbon EQ | 573,830 | | | | | | | | | | | | | | | | | | | | | | | | | | | 573,830 |
| Ishares Emg Markets Index | 45,052 | | | | | | | | | | | | | | | | | | | | | | | | | | | 45,052 |
| Global Pooled | | 1,230,954 | | | | | | | | | | | | | | | | | | | | | | | | | | 1,230,954 |
| Derivatives | | | 11,491 | | | | | | | | | | | | | | | | | | | | | | | | | 11,491 |
| **Property** | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| UK & Europe | | | | 58,917 | 29,805 | | | | | | | | | | | | | | | | | | | | | | | 88,722 |
| Overseas | | | | | | 11,306 | | | | | | | | | | | | | | | | | | | | | | 11,306 |
| **Fixed Interest** | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Fixed Interest | | 126,132 | | | | | | | | | | | | | | | | | | | | | | | | | | 126,132 |
| Index-Linked | 27,681 | | | | | | | | | | | | | | | | | | | | | | | | | | | 27,681 |
| Global Bond Funds | | | | | | | | | | | | | | | | | | | | | | | | 23,421 | 163,889 | | | 187,310 |
| **Hedge Funds** | | | | | | | 33,371 | 27,840 | | | | | | | | | | | | | | | | | | | | 61,211 |
| **Private Equity** | | | | | | | | | | | | | 155,150 | 63,845 | | | | | | | | | | | | | | 218,995 |
| **Infrastructure** | | | | | | | | | 93,971 | 0 | 0 | 13,217 | | | | | | | | | | | | | | | | 107,188 |
| **Private Debt** | | | | | | | | | | | | | | | 16,808 | 31,586 | 22,327 | | | | | | | | | | | 70,721 |
| **Residential Housing** | | | | | | | | | | | | | | | | | | 0 | 22,659 | | | | | | | | | 22,659 |
| **Timberland & Farmland** | | | | | | | | | | | | | | | | | | | | 136 | 0 | | | | | | | 136 |
| **Trade Finance** | | | | | | | | | | | | | | | | | | | | | | 50,928 | 51,231 | | | | | 102,159 |
| **Cash** | | | | 4,165 | | | | | | | | | | | | | | | | | | | | | | 169 | 11,630 | 15,964 |
| **Sub Total** | 646,563 | 1,357,086 | 11,491 | 63,082 | 29,805 | 11,306 | 33,371 | 27,840 | 93,971 | 0 | 0 | 13,217 | 155,150 | 63,845 | 16,808 | 31,586 | 22,327 | 0 | 22,659 | 136 | 0 | 50,928 | 51,231 | 23,421 | 163,889 | 169 | 11,630 | 2,901,511 |
| **Other Inv Balances - Divs Due** | | | | 3 | | | | | | | | | | | | | | | | | | | | | | | | 3 |
| **TOTAL** | 646,563 | 1,357,086 | 11,491 | 63,085 | 29,805 | 11,306 | 33,371 | 27,840 | 93,971 | 0 | 0 | 13,217 | 155,150 | 63,845 | 16,808 | 31,586 | 22,327 | 0 | 22,659 | 136 | 0 | 50,928 | 51,231 | 23,421 | 163,889 | 169 | 11,630 | 2,901,514 |

A more detailed sector and geographical analysis of the distribution of the Fund's investments is provided in Appendices 4(i)-(iii).

## Investment Returns

| | City & County of Swansea Fund | Local Authority Average Fund | Relative Performance | Peer Group Ranking | Average Earnings Increase | RPI* |
|---|---|---|---|---|---|---|
| | % | % | % | | % | % |
| 2022/23 | -1.6 | -1.6 | 0.0 | 27th | 7.6 | 13.5 |
| 2021/22 | 10.7 | 8.6 | +2.1 | 12th | 7.0 | 9.0 |

| | | | | | | |
|---|---|---|---|---|---|---|
| 2020/21 | 31.1 | 22.8 | +8.3 | 8th | 4.3 | 1.5 |
| 2019/20 | -4.5 | -4.8 | +0.3 | 45th | 2.3 | 2.6 |
| 2018/19 | 6.1 | 6.6 | -0.5 | 52nd | 3.3 | 2.44 |
| 2017/18 | 2.8 | 4.5 | -1.7 | 58th | 2.6 | 3.3 |
| 2016/17 | 22.0 | 21.4 | +0.6 | 27th | 2.6 | 3.14 |
| 2015/16 | -1.7 | 0.3 | -2.0 | 72nd | 2.2 | 1.6 |
| 2014/15 | 10.8 | 13.2 | -2.4 | 89th | 4.4 | 0.9 |
| 2013/14 | 7.2 | 6.3 | +0.9 | 35th | 1.9 | 2.45 |
| 2012/13 | 13.7 | 13.7 | -0.1 | 43rd | -0.7 | 3.28 |
| 2011/12 | 0.6 | 2.6 | -2.0 | 92nd | 0.8 | 3.6 |

The annual returns on the City and County of Swansea Fund compared with the Local Authority average are illustrated above.

## Market Commentary- Local Authority Universe

In 2022-23 the average fund returned -1.6%, asset class results strongly diverged and the range of results widened. The average return was well ahead of the median (three quarters of funds underperformed the average). Longer term results are still well ahead of inflation and funds' actuarial assumptions.

A good year for alternative investments, the only area to deliver positive results. Equity performance was flat – and most active managers failed to add value. Bond performance was deeply negative with diversified strategies performing least badly. Property saw a strong decline in values over the year.

The best results over the longer term were delivered by equities. Over the medium-term alternatives have performed best, driven by excellent private equity results over all periods. Infrastructure has also delivered strong returns. Property performance has been poor over the recent past. Bonds, the worst performing of the major asset classes, have now delivered a return below CPI over the last ten years.

Funds have reallocated 12% of total assets from equities into alternatives over the last decade. This has been the key structural change. Infrastructure has emerged into a significant proportion of assets. 2016/17 was a pivotal year in terms of equity management away from regional to global mandates. This was also the year funds really began to diversify bond exposure away from government to alternative forms of credit.

## Fund Performance

City & County of Swansea Pension Fund returned -1.6% for the year, which was in line with the local authority universe benchmark, also -1.6%, this placed the fund in 27th place in the Local

Authority Universe. Over three years the fund returned 13% against a benchmark of 9.5%, placing the fund in 1st place overall out of ALL LGPS funds and top decile over 5 and 10 years.

Long term performance is strong, the Fund is ahead of average over the last 10 and 20 years. Asset allocation had a positive impact due mainly to the Fund's relatively low exposure to bonds.

The Fund is actively reducing its equity overweight position which has served it well during these last few years. The fund continues to re-allocate these growth assets into yielding real assets such as infrastructure, housing, property and private debt and in the last two years has made investments in Timberland and Farming to actively move towards the funds aim of reaching its net zero target by 2037.

## Environmental Social Governance (ESG) Policy Implementation

As part of its Net Zero Carbon journey, in November 2021, the Pension Committee approved the following :

1. A commitment to achieve a net zero carbon position in its investment portfolio by 2037

2. The adoption of the Fund's Responsible Investment Beliefs to underpin the Fund's actions on climate risk

3. The climate actions of the Fund to be developed across three key areas ('3- dimensions') to give greater balance between:

- Carbon and other ESG metrics (both backward and forward looking)
- Opportunities that will benefit from the transition to a lower carbon economy
- Engagement activities focussed on climate, and encouraging best practice amongst fund managers, investee companies and other investors.

In continuing to implement the Fund's ESG policy and as part of the re-allocation of approximately 10% of growth assets into yielding assets, in 2022-23 the fund made a £60m commitment to the Stafford International Timberland Fund, a £40m commitment to Stafford Carbon Offset Opportunities Fund. The previously appointed Manulife HTTF, the original Timberland Fund has now drawn down the full commitment of £50m for deployment. The fund strives to make appropriate investments in water supplies and infrastructure as part of farmland investments with a focus on long term stewardship and conservation. Timberland and agriculture demonstrates significant potential to reduce greenhouse gases and to boost carbon storage.

In 20-23 the fund also made a £10m commitment to Capital Dynamics Infrastructure fund (a wind farm project across Wales), together with six of the other Constituent Authorities in Wales.

The fund had previously made commitments totalling £60m to two residential community housing funds which seek to deploy mixed tenure housing schemes with the aim of providing affordable rented housing in the Community. Man Group has drawn down £22m capital so far and Columbia Threadneedle has recently drawn down £1.2m for the first tranche for deployment.

Very recently the fund has made a commitment to a Private credit investment with Blackstone Green Private Credit Fund 111, which focuses on renewable energy, climate change solutions, infrastructure, energy transition, sustainability, and related sectors. It has also made a commitment to Schroders Greencoat, a Biomass plant based in South Wales, supporting the Funds allocation of capital to renewable infrastructure, to local investments and the Governments levelling up agenda, as part of its overall asset portfolio.

The Pension Committee and Local Pension Board met again in October 2022 as part of a Net Zero workshop to discuss the next steps to the Funds net zero commitment, which will be published in the Autumn of 2023.

City & County of Swansea Pension Fund policy on Environment & Social Governance Policy can be found at Appendix 11.

## PART D

## ACTUARIAL REPORT

# City and County of Swansea Pension Fund
# Statement of the Actuary for the year ended 31 March 2023

### Introduction

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013 (the 'LGPS Regulations').

The LGPS Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the City and 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 2022 by Aon, in accordance with Regulation 62 of the LGPS Regulations.

### Actuarial Position

1. The valuation as at 31 March 2022 showed that the funding level of the Fund had increased since the previous valuation with the market value of the Fund's assets as at 31 March 2022 (of £2,924.2M) covering 100% of the liabilities.

   The funding levels of the Fund at the 31 March 2022 valuation date and the previous valuation as at 31 March 2019 are shown below for comparison:

| **£M** | **As at 31 March 2022** | **As at 31 March 2019** | **Change since 2019 valuation** |
|---|---|---|---|
| Market value of Fund Assets | 2,924.2 | 2,044.0 | +880.2 |

| | | | |
|---|---|---|---|
| Value of fund liabilities | (2,921.4) | (2,234.6) | +686.8 |
| Funding level (assets / liabilities) | 100.1% | 91.5% | +8.6% |
| Deficit / Surplus | 2.8 | (190.6) | +193.4 |

2. The valuation also assessed each individual employer's (or group of employers') position separately. Contribution requirements were determined based on the principles in the Fund's Funding Strategy Statement and are set out in Aon's report dated 30 March 2023 (the "actuarial valuation report"). In addition to the contributions certified, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

   Total contributions payable by all employers over the three years to 31 March 2026 are estimated to be:

| Year from 1 April | % of pensionable pay | Plus total contribution amount (£M) |
|---|---|---|
| 2023 | 21.6% | 0.631 |
| 2024 | 21.6% | 0.721 |
| 2025 | 21.6% | 0.810 |

3. The funding plan adopted in assessing the contributions for each employer is in accordance with the Funding Strategy Statement. Different approaches were adopted in relation to the calculation of the primary contribution rate, stepping of contribution changes and individual employers' recovery periods as agreed with the Administering Authority and reflected in the Funding Strategy Statement, reflecting the employers' circumstances. This included an agreement that where an employer's fund is in surplus, this has only led to an adjustment in contributions to the extent that this surplus is in excess of 10% of the value of that employer's liabilities (i.e. to the extent that the employer's funding level is greater than 110%).

   Where an employer is in a deficit position, the employer is required to pay contributions which aim to restore the employer to a fully funded position by the end of an agreed recovery period. For the 2022 valuation the maximum recovery period was 16 years.

4. The valuation was carried out using the projected unit actuarial method for most employers, allowing for future increases in pensionable pay. The main financial actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

| | |
|---|---|
| Discount rate for periods in service | 4.1% p.a. |
| Discount rate for periods after leaving service | |
| Scheduled body and subsumption funding target * | 4.1% p.a. |
| Ongoing orphan funding target | 0.8% p.a. |
| Rate of pay increases | 3.8% p.a. |
| Rate of increase to pension accounts ** | 2.3% p.a. |
| Rate of increases in pensions in payment ** (in excess of Guaranteed Minimum Pension) | 2.3% p.a. |

** The scheduled body discount rate was also used for employers whose liabilities will be subsumed after exit by a scheduled body.*
*** In addition, a 10% uplift has been applied to the past service liabilities on the scheduled body and subsumption funding target to make allowance for short-term inflation above the long-term assumption.*

*In addition, the discount rate and rate of increases to pensions for already orphaned liabilities (i.e. where there is no scheme employer responsible for funding those liabilities and the employer has exited the Fund) were assumed to be 1.7% p.a. and 3.4% p.a. respectively.*

The assets were valued at market value.

5. The key demographic assumption was the allowance made for longevity. The post retirement mortality assumption adopted for the actuarial valuation was in line with standard self-administered pension scheme (SAPS) S3 mortality tables with appropriate scaling factors applied based on an analysis of the Fund's pensioner mortality experience and a Fund membership postcode analysis using Aon's Demographic Horizons[TM] longevity model, and included an allowance for future improvements based on the 2021 Continuous Mortality Investigation Projections Model, with a long term annual rate of improvement in mortality rates of 1.5% p.a. The resulting average future life expectancies at age 65 (for normal health retirements) were:

| | Men | Women |
|---|---|---|
| Current pensioners aged 65 at the valuation date | 22.1 | 24.6 |
| Current active members aged 45 at the valuation date | 22.8 | 25.7 |

Further details of the assumptions adopted for the valuation, including the other demographic assumptions, are set out in the actuarial valuation report.

6. The valuation results summarised in paragraph 1 above are based on the financial position and market levels at the valuation date, 31 March 2022. As such the results do not make allowance for changes which have occurred subsequent to the valuation date. The Actuary, in conjunction with the Administering Authority, monitors the funding position on a regular basis, but no formal interim valuations have been carried out.

7. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2023 to 31 March 2026 were signed on 30 March 2023. Other than as agreed or otherwise permitted or required by the Regulations, employer contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2025 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

8. The Government Actuary's Department carries out a review of all LGPS pension fund valuations in England and Wales under Section 13 of the Public Service Pensions Act, to ensure they are following the Regulations and to assess whether the valuations are being carried out in a broadly consistent way. The review for the 2022 valuations has not yet been completed and so official statistics comparing the valuation results across funds are not yet available. However all LGPS fund valuation reports can be found on the LGPS Scheme Advisory Board's website at the following link: https://www.lgpsboard.org/index.php/fund-valuations-2022

9. This Statement has been prepared by the Actuary to the Fund, Aon, 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 2022. 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 does not accept any responsibility or liability to any party other than our client, City and County of Swansea, the Administering Authority of the Fund, in respect of this Statement.

10. The report on the actuarial valuation as at 31 March 2022 is available on the Fund's website at the following address: https://www.swanseapensionfund.org.uk/wp-content/uploads/2023/04/City-and-County-of-Swansea-Pension-Fund-2022-Actuarial-Valuation-Report-_-30-March-2023.pdf

Aon Solutions UK Limited

**May 2023**

**Statement of the Actuary for the year ended 31 March 2023 (continued)**

**Actuarial Present Value of Promised Retirement Benefits**

CIPFA's Code of Practice on Local Authority Accounting for 2022/23 sets out that the actuarial present value of promised retirement benefits based on projected salaries be disclosed, consistent with the requirements of IAS19.

The results as at 31st March 2022, together with the results at 31st March 2019 are shown in the table below. The corresponding fair value of Fund assets is also shown in order to show the level of surplus or deficit within the Fund when the liabilities are valued using IAS19 assumptions.

| | **Value as at 31st March 2022**<br><br>**£M** | **Value as at 31st March 2019**<br><br>**£M** |
|---|---|---|
| Fair Value of Net Assets | 2,924.2 | 2044.0 |
| Actuarial present value of the defined benefit obligation (see Notes) | 3,989.8 | 3,215.9 |
| Surplus/(deficit) in the fund as measured for IAS26 purposes | (1,065.6) | (1,171.9) |

**McCloud/Sargeant Judgement**

The actuarial present value of the defined benefit obligation at 31st March 2022 (31 March 2019) includes an estimated liability in relation to the McCloud/Sargeant judgment of £56.8m (£35.4m). The McCloud/Sargeant judgement (December 2018) found that the transitional arrangements put in place when the Firefighters' and Judges' Pension Schemes were reformed constituted illegal discrimination. The Government has since committed to compensate all members of public service schemes who were illegally discriminated against. MHCLG published its McCloud consultation for the LGPS (in England and Wales) on 16th July 2020, setting out proposed changes aimed at removing the unlawful age discrimination in the LGPS. The consultation closed on 8th October 2020 and on 13th May 2021 the Government published the key elements of the changes to scheme regulations, the key points are:

- Underpin protection will apply to LGPS members who meet the revised qualifying criteria, principally that they were active in the scheme on 31st March 2012 and subsequently had membership of the career average scheme without a continuous break in service of more than five years.
- The period of protection will apply from 1st April 2014 to 31st March 2022 but will cease earlier where a member leaves active membership or reaches their final salary scheme normal retirement age (normally 65) before 31st March 2022.
- Where a member stays in active membership beyond 31st March 2022, the comparison of their benefits will be based on their final salary when they leave the LGPS, or when they reach their final salary scheme normal retirement age, if earlier.
- Underpin protection will apply to qualifying members who leave active membership of the LGPS with an immediate or deferred entitlement to a pension.
- A ‘two stage process’ will apply for assessing the underpin so that, where there is a gap between a member’s last day of active membership and the date they take their pension, members can be assured they are getting the higher benefit.
- Scheme regulations giving effect to the above changes will be retrospective to 1st April 2014.

It is the Government’s intention that new Regulations will come into force on 1st October 2023. The additional liability included within this note assumes the underpin covers all members who were actively participating in the Scheme on 1st April 2012.

**Equalisation and Indexation of Guaranteed Minimum Pensions**

Following legislative change in 2021, the LGPS is now required to pay full CPI increases on Guaranteed Minimum Pensions (GMPs) for members whose State Pension Age is after April 2016. Separate to this, the High Court ruled in two Lloyds Banking Group cases (2018 and 2020) that schemes are required to equalise male and female benefits for the effect of unequal GMPs, and these requirements extend to members who have died or transferred out. Government has not yet set out its policy intention for historic deaths and transfers so some uncertainty remains for such members. The actuarial present value of the defined benefit obligation allows for pension increases in line with the indexation requirements. However, the fund actuary has not estimated a potential cost of equalising payment terms for the small minority of members whose benefits remain unequal after full indexation, nor for historic deaths or transfers.

**Cost Management Process**

The actuarial present value of the defined benefit obligation does not allow for any potential additional liability which may arise from the cost management valuations. Legislation requires HM Treasury and the Scheme Advisory Board (SAB) to undertake periodic valuations to monitor the cost of the LGPS to ensure it remains sustainable and affordable. After incorporating the potential costs of the McCloud remedy, the 2016 SAB cost management process has concluded with no benefit improvements or member contribution changes being recommended under that process.

The way in which the McCloud remedy was allowed for in the HMT cost management valuation was subject to Judicial Review following a legal challenge from unions, but this challenge was dismissed on all grounds on 10 March 2023. However, the unions are seeking permission to appeal the Judicial Review outcome. Therefore, there remains a possibility that the 2016 cost management process will need to be revisited and ultimately, additional employer costs may arise. The actuarial present value of the defined benefit obligation therefore makes no allowance for the risk of additional costs falling on the Fund (and ultimately employers) as a result of the judicial review process in relation to the 2016 cost management valuations. The 2020 LGPS (E&W) cost management valuations are currently in progress. The actuarial present value of the defined benefit obligation makes no allowance for the potential outcome of the 2020 cost management valuations.

A full detailed report on the IAS26 figures can be found on the Pension Fund website at the following link :
https://www.swanseapensionfund.org.uk/investment-and-fund/actuarial-valuations/

**Statement of the Actuary for the year ended 31 March 23 (continued)**
**Actuarial Present Value of Promised Retirement Benefits**

**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 that 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 it's 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.

**Rates & Adjustment Certificate**

Actuarial certificate given for the purposes of Regulation 62 of the Local Government Pension Scheme Regulations 2013.

In accordance with regulation 62 of the Local Government Pension Scheme Regulations 2013 (the "2013 Regulations"), we certify that contributions should be paid by the employers at the following rates for the period 1 April 2020 to 31 March 2023.

- Primary contribution rates for individual employers as shown below. The primary rate for the whole fund, calculated as a weighted average of the employers' individual rates, is 20.3% p.a. of Pensionable Pay.
- Individual adjustments (i.e. secondary contribution rates) which, when added to or subtracted from the primary rate, produce the following minimum employer contribution rates :

**Actuarial Present Value of Promised Retirement Benefits – Statement of the Actuary for the year ending 31st March 2023 (Continued)**

| Employer | Primary Contribution rate % Pensionable Pay | Secondary contributions (% Pensionable Pay and £s) Year commencing 1 April | | | Total contributions (% Pensionable Pay and £s) Year commencing 1 April | | |
|---|---|---|---|---|---|---|---|
| | | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 |
| **Schedule 2 Part 1 bodies/ Schedule 2 Part 2 bodies (Scheduled bodies)** | | | | | | | |
| City & County of Swansea | 20.2% | 4.5% | 4.5% | 4.5% | 24.7% | 24.7% | 24.7% |
| Neath Port Talbot County Borough Council | 20.0% | 6.7% | 6.8% | 6.9% | 26.7% | 26.8% | 26.9% |
| Briton Ferry Town Council | 22.6% | 1.5% plus £660 | 1.5% plus £680 | 1.5% plus £700 | 24.1% plus £660 | 24.1% plus £680 | 24.1% plus £700 |
| Cilybebyll Community Council | 22.6% | 0.9% | 0.9% | 0.9% | 23.5% | 23.5% | 23.5% |
| Coedffranc Community Council | 22.6% | 1.5% plus £2,900 | 1.5% plus £3,000 | 1.5% plus £3,100 | 24.1% plus £2,900 | 24.1% plus £3,000 | 24.1% plus £3,100 |
| Gower College | 19.8% | 1.5% | 1.5% | 1.5% | 21.3% | 21.3% | 21.3% |
| Llanrhidian Higher Community Council | 22.6% | 1.5% plus £50 | 1.5% plus £50 | 1.5% plus £60 | 24.1% plus £50 | 24.1% plus £50 | 24.1% plus £60 |
| Mumbles Community Council | 22.6% | 1.5% | 1.5% | 1.5% | 24.1% | 24.1% | 24.1% |
| Margam Joint Crematorium Committee | 22.6% | 1.5% plus £5,700 | 1.5% plus £6,000 | 1.5% plus £6,200 | 24.1% plus £5,700 | 24.1% plus £6,000 | 24.1% plus £6,200 |
| NPTC Group of Colleges | 19.7% | 1.5% | 1.5% | 1.5% | 21.2% | 21.2% | 21.2% |
| Neath Town Council | 22.6% | 1.5% plus £5,400 | 1.5% plus £5,600 | 1.5% plus £5,800 | 24.1% plus £5,400 | 24.1% plus £5,600 | 24.1% plus £5,800 |
| Pelenna Community Council | 22.6% | 1.5% | 1.5% | 1.5% | 24.1% | 24.1% | 24.1% |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Pontardawe Town Council | 22.6% | 1.5% | 1.5% | 1.5% | 24.1% | 24.1% | 24.1% |
| Swansea Bay Port Health Authority | 25.4% | 1.5% plus £6,900 | 1.5% plus £7,200 | 1.5% plus 7,400 | 26.9% plus £6,900 | 26.9% plus £7,200 | 26.9% plus 7,400 |
| Ystalyfera Community Council | 22.6% | 1.5% | 1.5% | 1.5% | 24.1% | 24.1% | 24.1% |
| **Schedule 2 Part 3 bodies (Admission bodies)** | | | | | | | |
| Celtic Community Leisure | 17.5% | (4.6%) | (4.6%) | (4.6%) | 12.9% | 12.9% | 12.9% |
| Freedom Leisure | 20.2% | 4.5% | 4.5% | 4.5% | 24.7% | 24.7% | 24.7% |
| Grwp Gwalia Cyf | 24.9% | (14.2%) | (14.2%) | (14.2%) | 10.7% | 10.7% | 10.7% |
| Tai Tarian ** | 22.1% | 4.2% plus £17,000 | 0.2% plus £17,000 | 0.2% plus £18,000 | 26.3% plus £17,000 | 22.3% plus £17,000 | 22.3% plus £18,000 |
| Parkwood Holdings | 20.2% | 4.5% | 4.5% | 4.5% | 24.7% | 24.7% | 24.7% |
| Wales National Pool | 16.4% | (2.2%) | (2.2%) | (2.2%) | 14.2% | 14.2% | 14.2% |
| University of Wales Trinity St David Swansea | 35.6% | -7.6% / +1.5% plus £533,400 * | 1.5% plus £544,600 | 1.5% plus £640,800 | 28.0% / 37.1% plus £533,400 * | 37.1% plus £544,600 | 37.1% plus £640,800 |
| **Total** | **20.3%** | **4.8% plus £572,010** | **4.7% plus £584,130** | **4.7% plus £682,060** | **25.1% plus £572,010** | **25.0% plus £584,130** | **25.0% plus £682,060** |

* The contribution rate as a percentage of Pay from 1 April 2020 to 31 July 2020 will be 28.0% of pay and from 1 August 2020 to 31 March 2021 will be 37.1% of pay.

** Overall contributions payable as a percentage of Pay over the period covered by the Rates & Adjustments Certificate are subject to an underpin of the equivalent contributions payable at 23.6% of Pay p.a. in aggregate over the three year period.

The contribution rates for the City & County of Swansea and 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 then additional payments will be required. Theses minima are such that the total contributions in aggregate must be no less than :

| | |
|---|---|
| City & County of Swansea | 21.7% of pensionable pay plus £5.120M in 2020/21<br>21.7% of pensionable pay plus £5.310M in 2021/22<br>21.7% of pensionable pay plus £5.500M in 2022/23 |
| Neath Port Talbot County Borough Council | 21.5% of pensionable pay plus £5.060M in 2020/21<br>21.5% of pensionable pay plus £5.242M in 2021/22<br>21.5% of pensionable pay plus £5.431M in 2022/23 |

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.

Swansea Bay Racial Equality Council exited the Fund prior to signing this Rates & Adjustments Certificate and further payments may be certified under Regulation 64.

Additional contributions may be payable by any other employers which have ceased to participate in the Fund since 31 March 2019 and these will be certified separately.

Where payments due from an Employer are expressed as monetary amounts, the amounts payable by that employer may 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.

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 and employers will be notified of such contributions separately by the Administering Authority.

Contribution rates for Employers commencing participation in the Fund after 31 March 2019 will be advised separately.

Regulation 62(8) requires a statement to be made of the assumptions on which the certificate is given as regards the number of members, and the associated amount of liabilities arising, who will become entitled to payment of pensions under the LGPS regulations during the period covered by the certificate. These assumptions can be found in section e of the Further Information Section of the formal report on the valuation as at 31 March 2019. They include assumptions relating to the members who are expected to become entitled to payment of pensions via normal retirement and ill health retirement. In practice members will also become entitled to payment of pension via early retirement for reasons of redundancy or efficiency reasons as well as on voluntary early retirement, for which no assumption has been made.

Chris Darby FIA

chris.darby.2@aon.com

31 March 2020

Alison Murray FFA

alison.murray@aon.com

31 March 2020

**Appendix 1**

**SCHEDULE OF EMPLOYING BODIES AND CONTRIBUTION RATES FOR THE PERIOD 1ST APRIL 2022 TO 31ST MARCH 2023**

| | Contributors | Pensioners | Deferred | Employer Contribution Rates (% of Pensionable Pay) plus Additional Annual Monetary Amounts |
|---|---|---|---|---|
| **Administering Authority** | | | | |
| Swansea Council | 13,920 | 6,256 | 5745 | 24.7% |
| **Scheduled Bodies** | | | | |
| Neath Port Talbot County Borough Council. | 6,462 | 4,239 | 4,494 | 26.9% |
| Briton Ferry Town Council | 1 | 2 | 0 | 24.1% plus £700 |
| Cilybebyll Community Council | 4 | 3 | 1 | 23.5% |
| Clydach Community Council | 0 | 1 | 0 | - |
| Coedffranc Community Council | 13 | 4 | 4 | 24.1% plus £3,100 |
| Gower College Swansea | 704 | 181 | 288 | 21.3% |
| Lliw Valley BC | 0 | 160 | 8 | - |
| Margam Joint Cremation Committee | 12 | 13 | 5 | 24.1% plus £6,200 |
| NPTC Group | 626 | 209 | 380 | 21.2% |
| Neath Port Talbot Waste Management Co. Ltd. | 0 | 1 | 0 | - |
| Neath Town Council | 10 | 19 | 4 | 24.1% plus £5,800 |
| Pelenna Community Council | 2 | 3 | 3 | 24.1% |
| Llanrhidian Higher Community Council | 1 | 0 | 0 | 24.1% plus £60 |
| Ystalyfera Community Council | 1 | 0 | 0 | 24.1% |
| Llangyfelach Community Council | 1 | 0 | 0 | 24.1% |
| Mumbles Community Council | 4 | 1 | 0 | 24.1% |
| Pontardawe Town Council | 5 | 3 | 0 | 24.1% |
| Swansea Bay Port Health Authority | 0 | 12 | 0 | 26.9% plus £7,400 |
| Swansea City Waste Disposal Company | 0 | 16 | 1 | - |
| West Glamorgan County Council | 0 | 1652 | 117 | - |
| West Glamorgan Magistrates Courts | 0 | 34 | 8 | - |
| West Glamorgan Valuation Panel | 0 | 2 | 0 | - |
| Port Talbot Borough Council | 0 | 234 | 18 | - |
| Swansea City Council | 0 | 621 | 99 | - |
| Neath Borough Council | 0 | 145 | 21 | - |
| Bishop Vaughan School | 0 | 8 | 1 | - |
| Swansea College | 0 | 125 | 200 | - |
| Afan College | 0 | 11 | 0 | - |
| Neath College | 0 | 12 | 3 | - |
| Gorseinon College | 0 | 46 | 36 | - |
| Neath Port Talbot College | 0 | 105 | 135 | - |
| West Glamorgan Fire | 0 | 1 | 0 | - |
| Swansea Councillors | 59 | 33 | 17 | 24.7% |
| Neath Councillors | 42 | 9 | 8 | 26.9% |
| **Admitted Bodies** | | | | |
| BABTIE | 0 | 8 | 7 | - |
| Celtic Community Leisure | 103 | 50 | 207 | 12.9% |
| Colin Laver Heating Limited | 0 | 2 | 1 | - |
| UW Trinity St David Swansea | 99 | 185 | 224 | 37.1% plus £640,800 |
| Swansea Bay Racial Equality Council | 0 | 1 | 4 | - |
| The Careers Business | 0 | 8 | 5 | - |
| Wales National Pool | 120 | 12 | 81 | 14.2% |
| West Wales Arts Association | 0 | 1 | 0 | - |

| | | | | |
|---|---|---|---|---|
| Cap Gemini | 0 | 3 | 2 | - |
| Tai Tarian | 254 | 165 | 126 | 22.3% plus £18,000 |
| Phoenix Trust | 0 | 2 | 2 | - |
| Pobl Group | 72 | 129 | 99 | 10.7% |
| Freedom Leisure | 179 | 5 | 26 | 24.7% |
| Parkwood Leisure | 4 | 1 | 4 | 24.7% |
| Rathbone CCS | 0 | 0 | 2 | - |
| Rathbone Gower College | 0 | 2 | 1 | - |
| Wallich Clifford Community Ltd. | 1 | 2 | 3 | 26.8% |
| **Total** | **22,699** | **14,737** | **12,390** | |

## Appendix 2

## Pension Fund Committee 2022/23

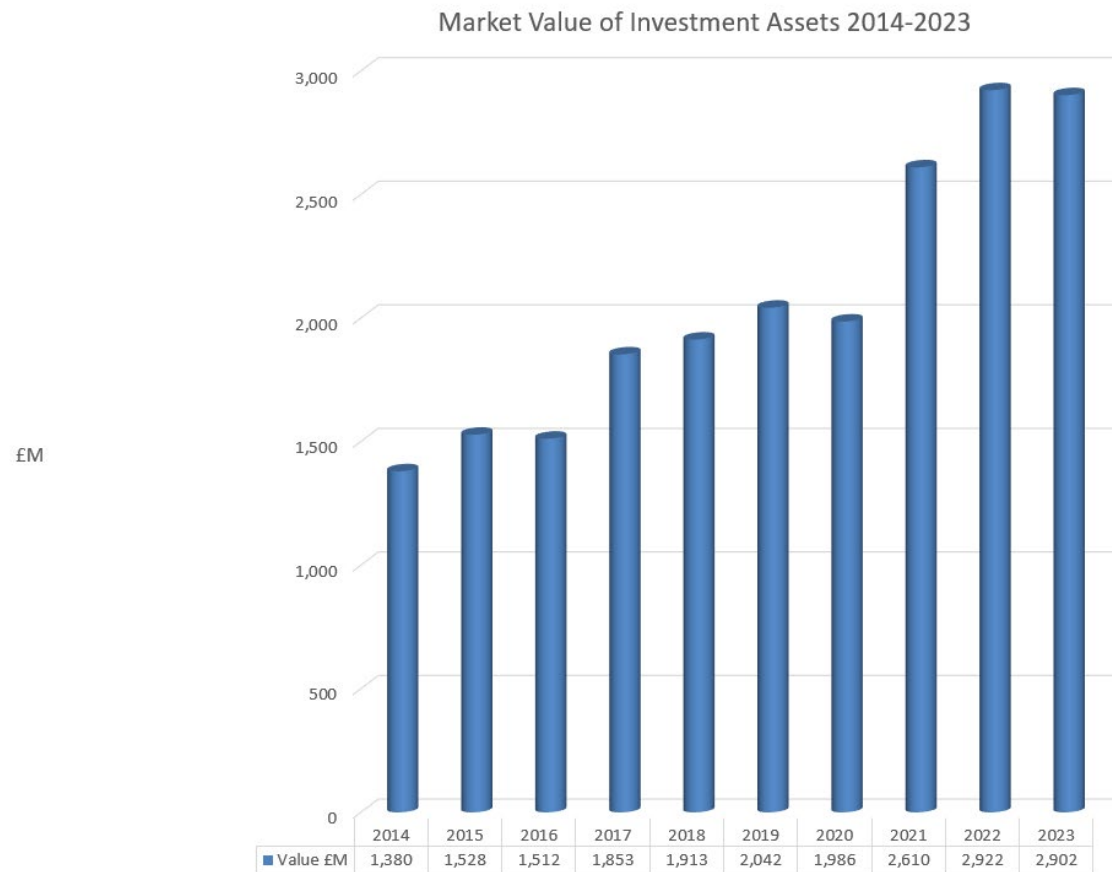
| | |
|---|---|
| **Chairman** | Cllr M Lewis |
| **Vice Chairman** | Cllr P Downing |
| **Committee Members** | Cllr W G Thomas<br>Cllr J P Curtice<br>Cllr P Bentue<br>Cllr M Locke<br>Cllr P Rogers (Neath Port Talbot CBC) |
| **Advised by:**<br>**Council Officers** | B Smith, Section 151 & Director of Finance<br>J Dong, Deputy Chief Finance Officer |
| **Consultancy Service** | Hymans Robertson LLP |
| **Local Pension Board (as at 31st March 2023)** | Mr Ian Guy<br>Cllr Ryland Doyle<br>Ms Rosemary Broad<br>Mr David White<br>Cllr Simon Knoyle |

**Investment Managers**

- Global Equities and Fixed Income – Russell Investments on behalf of Wales Pension Partnership
- Global Balanced Index Tracking/ Low Carbon Fund - Blackrock
- Fund of Hedge Funds - Blackrock and EnTrustPermal
- Fund of Private Equity Funds – HarbourVest & Blackstone
- Fund of Property Funds - Partners Group, Schroders Investment Management
- European Property Fund- Invesco Real Estate Europe Fund
- Fund of Infrastructure Fund – Igneo Investments, Blackrock, Capital Dynamics & GCM Grosvenor
- Fund of Private Debt – Alcentra, CVC Credit Partners, Goldman Sachs Asset Management
- Residential Housing – Columbia Threadneedle, Man Group
- Timberland & Farmland Fund – Manulife, Stafford Capital Partners
- Liquidity Management – Fidante, T Rowe Price

| | |
|---|---|
| Pensions Administration | Claire Elliott, Pensions Manager, City & County of Swansea |
| Pensions Investments & Accounting | Karen Cobb, Pension Fund Accounting & Investment Manager |
| Appointed Actuary | Aon Plc |
| Performance Measurement | PIRC Ltd |
| Global Custodians | Northern Trust |
| Bankers | Lloyds Bank Plc |
| Legal Advisors | City & County of Swansea Legal Department & Dolmans Solicitors |
| AVC Providers | Prudential, Aegon and Utmost |
| Auditors | Audit Wales |

# Appendix 3


Market Value of Investment Assets 2014-2023
£M
3,000
2,500
2,000
1,500
1,000
500
0
2014 2015 2016 2017 2018 2019 2020 2021 2022 2023
Value £M 1,380 1,528 1,512 1,853 1,913 2,042 1,986 2,610 2,922 2,902

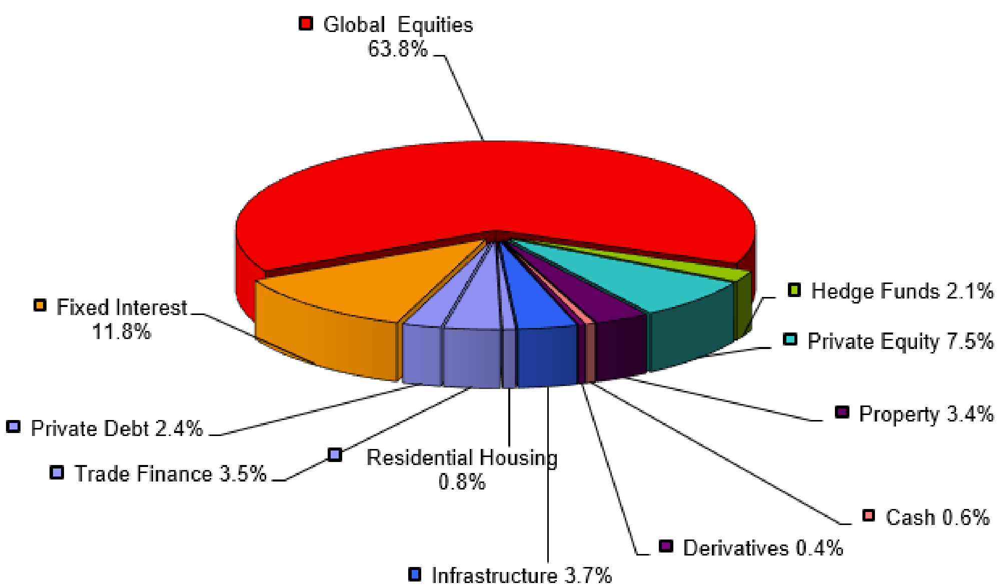
**Appendix 4(i)**

**Portfolio Distribution Summary**

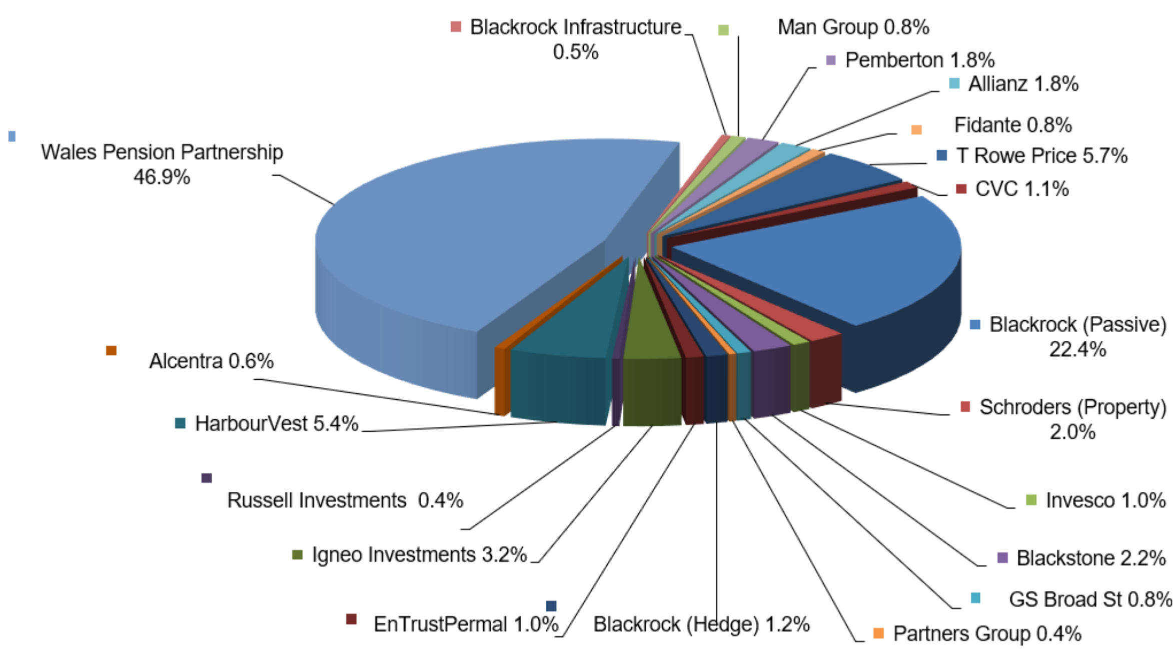
| 31 March 2022 £ | | | 31 March 2023 £ | |
|---|---|---|---|---|
| | | **Fixed Interest Stocks** | | |
| 241,705 | 8.3% | Fixed Interest | 313,442 | 10.8% |
| 37,745 | 1.3% | Index-Linked | 27,681 | 1.0% |
| 279,450 | 9.6% | | 341,123 | 11.8% |
| | | **Overseas Securities** | | |
| 2,079,114 | 71.0% | **Global Equities** | 1,849,836 | 63.8% |
| 60,857 | 2.0% | **Hedge Funds** | 61,211 | 2.1% |
| 197,918 | 6.8% | **Private Equity** | 218,995 | 7.5% |
| 109,377 | 3.8% | **Property** | 100,028 | 3.4% |
| 86,613 | 3.0% | **Infrastructure** | 107,188 | 3.7% |
| 56,248 | 2.0% | **Private Debt** | 70,721 | 2.4% |
| 18,192 | 0.6% | **Residential Housing** | 22,659 | 0.8% |
| 133 | 0.0% | **Timberland & Farmland** | 136 | 0.0% |
| 0 | 0.0% | **Trade Finance** | 102,159 | 3.5% |
| 1,632 | 0.1% | **Derivaties** | 11,491 | 0.4% |
| 2,889,534 | 98.9% | **Sub Total** | 2,885,547 | 99.4% |
| 31,832 | 1.1% | **Cash held by Managers & Temporary Investments** | 15,964 | 0.6% |
| 301 | | **Other Investment Balances - Dividends Due** | 3 | 0.0% |
| **2,921,667** | **100.0%** | **Total** | **2,901,514** | **100.0%** |

**Appendix 4 (ii)**

## Analysis of Investments - Market Value 31 March 2023

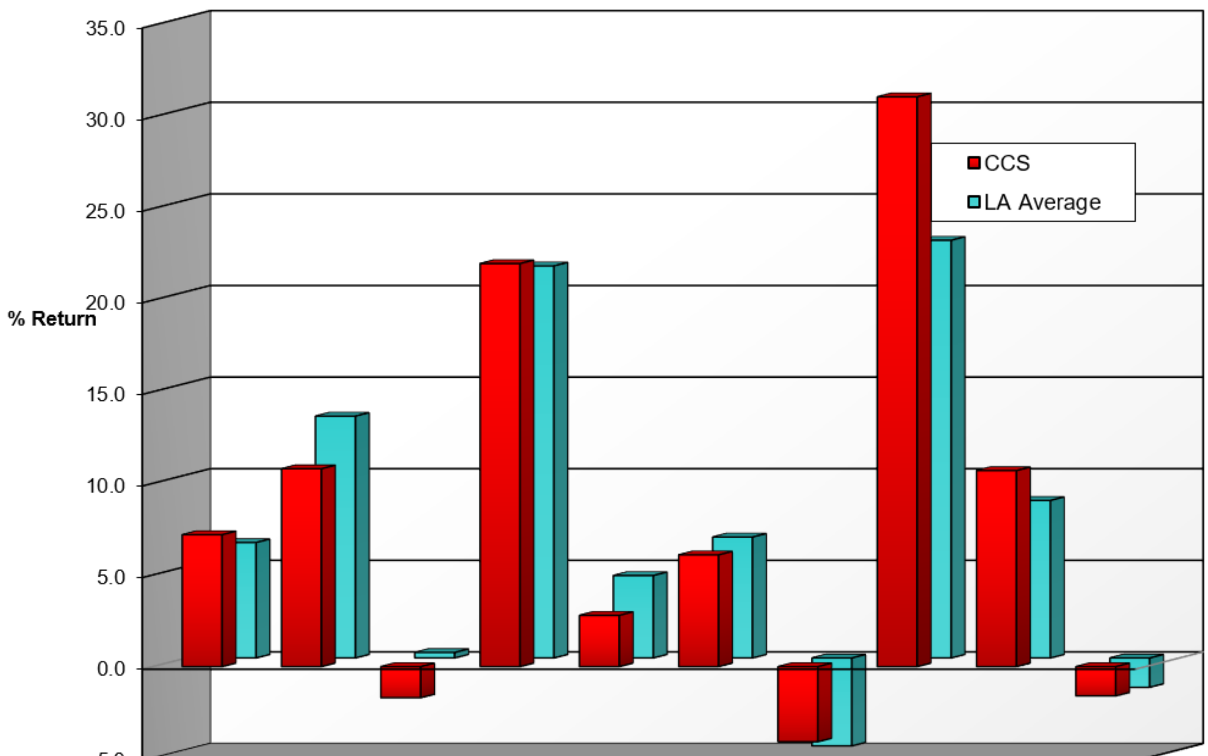



## Fund Manager Breakdown – Market Value 31st March 2023



**Appendix 5**

# Percentage Return on Fund Investments as Compared with the Average Return on Local Authority Funds




| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|
| CCS | 7.2 | 10.8 | -1.7 | 22.0 | 2.8 | 6.1 | -4.1 | 31.1 | 10.7 | -1.6 |
| LA Average | 6.3 | 13.2 | 0.3 | 21.4 | 4.5 | 6.6 | -4.8 | 22.8 | 8.6 | -1.6 |

Year

**Appendix 6**

## Pensions Section Performance Measures

| Service Objective | Performance Indicator | Actual 2020/21 | Actual 2021/22 | Actual 2022/23 |
|---|---|---|---|---|
| To calculate all types of pension benefits accurately | Payment of retirement benefits to members within 1 month after benefit becomes payable. | 45.71% | 42.67% | 42.5% |
| | Payment of retirement benefits to members within 1 month of the date all information was received. | 98.57% | 97.78% | 100% |
| To deal with transfers both into and out of the scheme | Quotation of transfer value to new pension provider for deferred members within 3 months of request | 100% | 100% | 100% |

**Appendix 7**

**City & County of Swansea Pension Fund**

**Investment Strategy Statement**

# Investment Strategy Statement

**Introduction and background**

This is the Investment Strategy Statement ("ISS") of the City and County of Swansea Pension Fund ("the Fund"), which is administered by City and County Swansea Council, ("the Administering Authority"). The ISS is made in accordance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 ("the Regulations").

The ISS has been prepared by the Fund's Pension Committee ("the Committee") having taken advice from the Fund's investment adviser, Hymans Robertson LLP. The Committee, which comprises of members of the Administering Authority and Neath Port Talbot Council, acts on the delegated authority of the Administering Authority.

The ISS, which was last approved by the Committee on in 2017, is subject to periodic review at least every three years and without delay after any significant change in investment policy. This March 2018 version reflects the strategic changes that were agreed over 2017 and the first quarter of 2018. The Committee has consulted on the contents of the Fund's investment strategy with such persons it considers appropriate.

The Committee seeks to invest in accordance with the ISS, any Fund money that is not needed immediately to make payments from the Fund. The ISS should be read in conjunction with the Fund's Funding Strategy Statement ("FSS").

**The suitability of particular investments and types of investments**

The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis. This funding position will be reviewed at each triennial actuarial valuation, or more frequently as required.

The Committee aims to fund the Fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the Fund's assets and that an appropriate level of contributions is agreed by the employer to meet the cost of future benefits accruing. For employee members, benefits will be based on service completed but will take account of future salary and/or inflation increases.

The Committee has translated its objectives into a suitable strategic asset allocation benchmark for the Fund. This benchmark is consistent with the Committee's views on the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility and risk and the nature of the Fund's liabilities.

It is intended that the Fund's investment strategy will be reviewed at least every three years either alongside or following actuarial valuations of the Fund.

The Fund's investment strategy was last reviewed during 2017 and 2018. This analysis included both a quantitative (using asset liability modelling) and qualitative analysis. This approach helps to ensure that the investment strategy takes due account of the maturity profile of the Fund (in terms of the relative proportions of liabilities in respect of pensioners, deferreds and active members), together with the level of surplus or deficit (relative to the funding basis used). Details of the assumptions used in the quantitative analysis was considered prior to the Committee agreeing any strategic changes.

The Committee monitors investment strategy on an ongoing basis, focusing on factors including, but not limited to:

• Suitability given the Fund's level of funding and liability profile

• The level of expected risk

• Outlook for asset returns

The Committee also monitors the Fund's actual allocation on a regular basis to ensure it does not notably deviate from the target allocation and is considering a formal rebalancing framework alongside potential changes to the Fund's longer term strategic asset allocation.

**Investment Beliefs**
The Committee has agreed a set of investment beliefs (shown in the appendix of this paper)). These beliefs aim to help articulate how the Committee's investment objectives are translated into their investment strategy.

**Investment of money in a wide variety of investments Asset classes**
The Fund may invest in quoted and unquoted securities of UK and overseas markets including equities, fixed interest, index linked bonds, cash, property, infrastructure, hedge funds and commodities either directly or through pooled funds. The Fund may also make use of contracts for differences and other derivatives either directly or in pooled funds investing in these products for the purpose of efficient portfolio management or to hedge specific risks.

The Committee reviews the nature of Fund investments on a regular basis, with particular reference to suitability and diversification. The Committee seeks and considers written advice from a suitably qualified person in undertaking such a review. If, at any time, investment in a security or product not previously known to the Committee is proposed, appropriate advice is sought and considered to ensure its suitability and diversification.

The Fund's target investment strategy is set out below. It is anticipated that the maximum amount in each region will be the upper limit based on the ranges set out below. However, there may be times when these limits are breached e.g. at times of market stress, or if Fund is implementing strategic changes and it is deemed more efficient to delay any rebalancing for a period of time. In line with the Regulations, the authority's investment strategy does not permit more than 5% of the total value of all investments of fund money to be invested in entities which are connected with that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007.

## Current Fund Allocation

| Asset class | Target allocation % |
|---|---|
| **UK equities** | 34% +/- 5% |
| **Overseas equities** | 34% +/- 5% |
| **Private Equity** | 3% +/- 5% |
| **Hedge Funds** | 5% +/- 5% |
| **Property** | 5% +/- 5% |
| **Infrastructure** | 2% +/- 5% |
| **Global Fixed Interest** | 15% +/- 5% |
| **Cash** | 2% +/- 5% |
| **Total** | 100% |

In 2017 the long term expected return of this portfolio was 4.7% p.a. with an expected 1-year volatility of 9.4% p.a. Further details on the Fund's risks, including the approach to mitigating risks, is provided in the following section.

**Managers**

The Committee has appointed a number of investment managers all of whom are authorised under the Financial Services and Markets Act 2000 to undertake investment business.

The Committee, after seeking appropriate investment advice, has agreed specific benchmarks with each Manager so that, in aggregate, they are consistent with the overall asset allocation for the Fund. The Funds Investment managers will hold a mix of investments which reflects their views relative to their respective benchmarks (details) of these benchmarks are provided in the Appendix of this paper). Within each major market and asset class, the managers will maintain diversified portfolios through direct investment or pooled vehicles. The manager of the passive funds in which the Fund invests holds a mix of investments with each pooled fund that reflects that of their respective benchmark indices.

**The approach to risk, including the ways in which risks are to be measured and managed**

The Committee is aware that the Fund has a need to take risk (e.g. investing in growth assets) to help it achieve its funding objectives. It has an active risk management programme in place that aims to help it identify the risks being taken and put in place processes to manage, measure, monitor and (where possible) mitigate these risks. One of the Committee's overarching beliefs is to only to take as much investment risk as is necessary.

The principal risks affecting the Fund are set out below, we also discuss the Fund's approach to managing these risks and the contingency plans that are in place:

**Funding risks**
Asset values may not increase at the same rate as liabilities with an adverse impact on the funding position. A FSS is prepared every three years as part of the triennial valuation. The Fund's investment strategy and performance relative to the growth in the liabilities is monitored on an ongoing basis.

- Financial mismatch – The risk that Fund assets fail to grow in line with the developing cost of meeting the liabilities.
- Changing demographics –The risk that longevity improves and other demographic factors change, increasing the cost of Fund benefits.
- Systemic risk - The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting the Fund's liabilities.

The Committee measures and manages financial mismatch in two ways:

1. As indicated above, the Committee has set a strategic asset allocation benchmark for the Fund. This benchmark was set taking into account asset liability modelling which focused on the likelihood of achieving the Fund's longer term funding objectives and with regard to the level of downside risk. This analysis will be revisited as part of the 2019 valuation process.
2. The Committee assesses risk relative to the strategic benchmark by monitoring the Fund's asset allocation and investment returns relative to the benchmark. The Committee also assesses risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.

The Committee also seeks to understand the assumptions used in any analysis and modelling so they can be compared to their own views and the level of risks associated with these assumptions to be assessed.

The Committee seeks to mitigate systemic risk through a diversified portfolio but it is not possible to make specific provision for all possible eventualities that may arise under this heading. Changes in demographics are considered as part of the Fund's triennial Actuarial valuation.

**Asset risks**
- Concentration - The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.

- Illiquidity - The risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets.
- Currency risk – The risk that the currency of the Fund's assets underperforms relative to Sterling (i.e. the currency of the liabilities).
- Environmental, social and governance ("ESG") – The risk that ESG related factors reduce the Fund's ability to generate the long-term returns.
- Manager underperformance - The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.

**The Committee measure and manage asset risks as follows.**

The Fund's strategic asset allocation benchmark invests in a diversified range of asset classes. The Committee has put in place rebalancing arrangements to ensure the Fund's "actual allocation" does not deviate substantially from its target. The Fund invests in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, help reduce the Fund's asset concentration risk. By investing across a range of assets the Committee has recognised the need for access to liquidity in the short term.

The Fund invests in a range of overseas markets which provides a diversified approach to currency markets; the Committee also assess the Fund's currency risk during their risk analysis. Details of the Fund's approach to managing ESG risks is set out later in this document.

The Committee has considered the risk of underperformance by any single investment manager and have attempted to reduce this risk by appointing more than one manager and having a material proportion of the Fund's assets managed on a passive basis. The Committee assess the Fund's managers' performance on a regular basis, and will take steps, including potentially replacing one or more of their managers, if underperformance persists.

**Other provider risk**

- Transition risk - The risk of incurring unexpected costs in relation to the transition of assets among managers. When carrying out significant transitions, the Committee seeks suitable professional advice.
- Custody risk - The risk of losing economic rights to Fund assets, when held in custody or when being traded.
- Credit default - The possibility of default of a counterparty in meeting its obligations.
- Stock-lending – The possibility of default and loss of economic rights to Fund assets.

The Committee monitors and manages risks in these areas through a process of regular scrutiny of its providers, and audit of the operations it conducts for the Fund, or has delegated such monitoring and management of risk to the appointed investment managers as appropriate (e.g. custody risk in relation to pooled funds). The Committee has the power to replace a provider should serious concerns exist.

**The approach to pooling investments, including the use of collective investment vehicles and shared services**

The Fund is a participating scheme in the All Wales Pool. The proposed structure and basis on which the All Wales Pool will operate was set out in the July 2016 submission to Government.

The Fund's intention is to invest its assets through the All Wales Pool as and when suitable Pool investment solutions become available. An indicative timetable for investing through the Pool was set out in the July 2016 submission to Government. They key criteria for assessment of Pool solutions will be as follows:

1. That the Pool enables access to an appropriate solution that meets the objectives and benchmark criteria set by the Fund.
2. That there is a clear financial benefit to the Fund in investing in the solution offered by the Pool, should a change of provider be necessary.

At the time of preparing this statement the Fund has no assets via the Wales Pension Partnership Pool.

The Chairman (or his identified nominee) shall be the Fund's representative for the Wales Pool which has responsibility for holding the "Pool Operator" to account. The Committee retains responsibility for setting its own investment strategy, policy and allocation.

**How social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments**

It is recognised that ESG factors can influence long term investment performance and the ability to achieve long term sustainable returns. The Committee consider the Fund's approach to responsible investment in two key areas:

- **Sustainable investment / ESG factors** – considering the financial impact of environmental, social and governance (ESG) factors on its investments.
- **Stewardship and governance** – acting as responsible and active investors/owners, through considered voting of shares, and engaging with investee company management as part of the investment process.

The Committee takes ESG matters very seriously. The Fund has developed an environmental, social and governance policy which sets out the Fund's position in a number of areas. The Fund has also carried out ESG training, ESG beliefs (as part of the main belief statement) and carbon monitoring of its listed equity exposure.

At the present time the Committee does not take into account non-financial factors when selecting, retaining, or realising its investments. The Fund does not currently hold any assets which it deems to be social investments. To date, the Fund's approach to social investments has largely been to delegate this to their underlying investment managers as part of their overall ESG duties.

At the time of production of the ISS, the Fund has not issued a separate Statement of Compliance with the UK Stewardship Code, but fully endorses the principles embedded in the seven Principles of the Code. In addition, the Fund expects its investment managers to work collaboratively with others if this will lead to greater influence and deliver improved outcomes for shareholders and more broadly. The Fund also encourages its managers to sign up to the Principles of Responsible Investment "PRI".

The Fund, through its participation in the All Wales Pool, will work closely with other LGPS Funds to enhance the level of engagement both with external managers and the underlying companies in which invests. The Committee is also supportive of collaboration to achieve better engagement, as evidenced by the Fund's membership to LAPFF, a collective organisation of LGPS who engage fund managers and investee companies and promote responsible investor/ownership practices.

**The exercise of rights (including voting rights) attaching to investments**

The Committee has delegated the exercise of voting rights to the investment manager(s) on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. Accordingly, the Fund's managers have produced written guidelines of their process and practice in this regard. The managers are strongly encouraged to vote in line with their guidelines in respect of all resolutions at annual and extraordinary general meetings of companies under Regulation 7(2)(f). The Committee monitors the voting decisions made by all its investment managers on a regular basis.

March 2018

**Appendix 1: Statement of Investment Beliefs**

To be completed post Committee discussion on Investment beliefs paper

**Appendix 2 : Fund Benchmarks**

| Asset Class | Target Allocation % | Benchmarks |
|---|---|---|
| **UK equities** | 34% +/- 5% | FTSE all share |
| **Overseas equities** | 34% +/- 5% | MSCI World ex UK<br>MSCI Frontier markets |
| **Private Equity** | 3% +/- 5% | FTSE All Share |
| **Hedge Funds** | 5% +/- 5% | LIBOR |
| **Property** | 5% +/- 5% | IPD UK Pooled Property fund |
| **Infrastructure** | 2% +/- 5% | *To be finalised* |
| **Global Fixed Interest** | 15% +/- 5% | LIBOR |
| **Cash** | 2% +/- 5% | 7 day LIBID |

| | |
|---|---|
| **Total** | **100%** |

**Appendix 8**

# City & County of Swansea Pension Fund Funding Strategy Statement – January 2023

## 1. INTRODUCTION

**Overview**

1.1 This Statement, originally prepared in accordance with Regulation 76A of the Local Government Regulations 1997 has been reviewed in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (the LGPS Regulations). The Statement describes City and County of Swansea's strategy, in its capacity as Administering Authority (the Administering Authority), for the funding of the City and County of Swansea Pension Fund (the Fund).

1.2 As required by Regulation 58(4)(a), the Statement has been prepared having regard to:

- the statutory guidance published by CIPFA for this purpose.

  This Statement has regard to the updated guidance published in September 2016 and not the original guidance issued in October 2012 as referred to in the LGPS Regulations at time of writing the Statement;
- the supplementary statutory guidance issued by MHCLG: Guidance on Preparing and Maintaining Policies on Review of Employer Contributions, Employer Exit Payments and Deferred Debt Agreements and
- the Investment Strategy Statement (ISS) published under Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended) ("The Investment Regulations").

The Administering Authority has also considered the Scheme Advisory Board's Guide to Employer Flexibilities in developing the FSS and associated policies at Appendix 1 and Appendix 2.

**Consultation**

1.3 In accordance with Regulation 58(3), the Administering Authority has consulted such persons as it considers appropriate on the contents of this Statement and their views have been taken into account in formulating the Statement. However, the Statement describes a single strategy for the Fund as a whole.

1.4 The Fund Actuary, Aon Solutions UK Limited, has also been consulted on the contents of this Statement.

**Purpose of this Statement**

1.5 The main purpose of this Funding Strategy Statement is to set out the processes by which the Administering Authority:

- establishes a clear and transparent funding strategy, specific to the Fund, which will identify how employer's pension liabilities are best met going forward.
- supports the regulatory requirement in relation to the desirability of maintaining as nearly constant a primary rate of contributions as possible.
- ensures that the regulatory requirements to set contributions as to ensure the solvency and long-term cost efficiency of the Fund are met.
- takes a prudent longer-term view of funding the Fund's liabilities.
- makes use of the provisions of Regulation 64(7A), 64A and 64B.

Noting that, whilst the funding strategy applicable to individual employers must be reflected in the Funding Strategy Statement / Investment Strategy Statement, its focus should at all times be on those actions which are in the best long term interests of the Fund.

**Links to investment policy set out in the Investment Strategy Statement**

1.6 The Authority has produced this Funding Strategy Statement having taken an overall view of the level of risk inherent in the investment policy set out in the Investment Strategy Statement and the funding strategy set out in this Statement.

1.7 The assets that most closely match the liabilities of the Fund are fixed interest and index-linked Government bonds of appropriate term relative to the liabilities. The Fund's asset allocation as set out in the Investment Strategy Statement invests a significant proportion of the Fund in assets such as equities which are expected but not guaranteed to produce higher returns than Government bonds in the long term. The Administering Authority has agreed with the Fund Actuary that the

Funding Target on the ongoing basis will be set after making some allowance for this higher anticipated return. However, the Administering Authority recognises that outperformance is not guaranteed and that, in the absence of any other effects, if the higher expected returns are not achieved the solvency position of the Fund will deteriorate.

1.8 The funding strategy recognises the investment targets and the inherent volatility arising from the investment strategy, by being based on financial assumptions which are consistent with the expected return on the investments held by the Fund, and by including measures that can be used to smooth out the impact of such volatility.

1.9 The Administering Authority will continue to review both documents to ensure that the overall risk profile remains appropriate including, where appropriate, commissioning asset liability modelling or other analysis techniques.

**Review of this Statement**

**1.10** The Administering Authority undertook its latest substantive review of this Statement in **January 2023.**

1.11 The Administering Authority will formally review this Statement as part of the next funding valuation following the 31 March **2022** valuation, currently expected to be as at 31 March **2025**, unless circumstances arise which require earlier action.

1.12 The Administering Authority will monitor the funding position of the Fund on an approximate basis at regular intervals between valuations, and will discuss with the Fund Actuary whether any significant changes have arisen that require action.

## 2. THE AIMS AND PURPOSE OF THE FUND

### Purpose of the Fund

2.1 The purpose of the Fund is to:

- invest monies in respect of contributions, transfer values and investment income to produce a Fund in order to:
- pay Scheme benefits, transfer values, costs, charges and expenses as defined in the LGPS Regulations and as required in the Investment Regulations over the long term and in so doing:
- to smooth out the contributions required from employers over the long term.

### Aims of the Fund

2.2 The main aims of the Fund are:

a) <u>To comply with regulation 62 of the LGPS Regulations 2013 and specifically to:</u>

- adequately fund benefits to secure the Fund's solvency and long term cost efficiency, which should be assessed in light of the risk profile of the Fund and Employers
- while taking account of the desirability of maintaining as nearly constant primary employer contribution rates as possible (and subject to the Administering Authority not taking undue risks) at reasonable cost to the taxpayers, scheduled (as defined in Part 1 or deemed employers as per Part 4 of Schedule 2 of the LGPS Regulations), resolution (as defined in Part 2 of Schedule 2 of the LGPS Regulations), and admitted bodies
- enable overall employer contributions to be kept as constant as possible (and subject to the Administering Authority not taking undue risks) at reasonable cost to the taxpayers, scheduled, resolution and admitted bodies

2.3 The Administering Authority recognises that the requirement to keep total employer contributions as nearly constant as possible can run counter to the following requirements:

- the regulatory requirement to secure solvency, which should be assessed in light of the risk profile of the Fund and risk appetite of the Administering Authority and employers
- the requirement that the costs should be reasonable to Scheduled Bodies, Admission Bodies, other bodies and to taxpayers (subject to not taking

undue risks), and

- maximising income from investments within reasonable risk parameters (see later)

2.4 Producing low volatility in **the funding position** requires material investment in assets which 'match' the employer's liabilities. In this context, 'match' means assets which behave in a similar manner to the liabilities as economic conditions alter. For the liabilities represented by benefits payable by the Local Government Pension Scheme, such assets would tend to comprise gilt edged investments.

2.5 Other classes of assets, such as stocks, are perceived to offer higher long term rates of return, on average, and consistent with the requirement to maximise the returns from investments within reasonable risk parameters, the Administering Authority invests a substantial proportion of the Fund in such assets. However, these assets are more risky in nature, and that risk can manifest itself in volatile returns over short term periods, and a failure to deliver anticipated returns in the long term.

2.6 This short term volatility in investment returns can produce a consequent volatility in the measured funding position of the Fund at successive actuarial valuations, with knock on effects on employer contribution rates. The impact on employer rates can be mitigated by use of smoothing adjustments at each valuation.

2.7 The Administering Authority recognises that there is a balance to be struck between the investment policy adopted, the smoothing mechanisms used at valuations, and the resultant stability of employer contribution rates from one valuation period to the next.

2.8 The Administering Authority also recognises that the position is potentially more volatile for Admission Bodies with short term contracts where utilisation of smoothing mechanisms is less appropriate.

2.9 <u>b) To ensure that sufficient resources are available to meet all liabilities as they fall due.</u>

The Administering Authority recognises the need to ensure that the Fund has, at all times, sufficient liquid assets to be able to pay pensions, transfer values, costs, charges and other expenses. It is the Administering Authority's policy that such expenditure is met, in the first instance, from incoming employer and employee contributions to avoid the expense of disinvesting assets. The Administering Authority monitors the position on a monthly basis to ensure that all cash requirements can be met.

2.10 c) To manage employers' liabilities effectively.

The Administering Authority seeks to ensure that all employers' liabilities are managed effectively. In a funding context, this is achieved by seeking regular actuarial advice, ensuring that employers are properly informed and consulted, and through regular monitoring of the funding position and the outlook for employers' contributions.

2.11 d) To maximise the total investment return from investments within reasonable risk parameters.

The Administering Authority recognises the desirability of maximising total investment return within reasonable risk parameters. Investment returns higher than those available on Government stocks are sought through investment in other asset classes such as stocks and property. The Administering Authority ensures that risk parameters are reasonable by:

- complying with any restrictions set out in the Investment Regulations
- restricting investment to asset classes generally recognised as appropriate for UK pension funds
- analysing the potential volatility and absolute return risks, and funding risk represented by those asset classes in collaboration with Investment Advisors and Fund Managers, the Fund Actuary and the Wales Pension Partnership and ensuring that they remain consistent with the risk and return profiles anticipated in the funding strategy
- limiting concentration of risk by developing a diversified investment strategy
- monitoring the mis-matching risk that the investments do not move in line with the Fund's liabilities.

## 3. RESPONSIBILITIES OF THE KEY PARTIES

3.1 The three parties whose responsibilities to the Fund are of particular relevance are the Administering Authority, the individual employers and the Fund Actuary.

Their key responsibilities are as follows:

**Administering Authority**

3.2 The Administering Authority will:

- Administer the Fund
- Collect investment income and other amounts due to the Fund as set out in the Regulations including employer and employee contributions and, as far as the Administering Authority is able to, ensure these contributions are paid by the due date (with the due date as specified in the LGPS Regulations, Rates and Adjustments Certificate and any Administering Authority policies)
- Pay from the Fund the relevant entitlements as set out by the Local Government Pension Scheme Regulations 2013.
- Invest surplus monies in accordance with the Investment Regulations **and the Fund's Investment Strategy Statement.**
- Ensure that cash is available to meet liabilities as and when they fall due.
- Manage the valuation process in consultation with the Fund's Actuary
- Ensure it communicates effectively with the Fund Actuary to:
    - Agree timescales for the provision of information and provision of valuation results
    - Ensure provision of data of suitable accuracy
    - Ensure that the Fund Actuary is clear about the content of the Funding Strategy Statement
    - Ensure that participating employers receive appropriate communication throughout the process
    - Ensure that reports are made available as required by relevant guidance and Regulations
    - Provide information required by the Government Actuary's Department in relation to Section 13 of the Public Service Pensions Act 2013
- Prepare and maintain an Investment Strategy Statement and a Funding Strategy Statement after due consultation with interested parties.
- Monitor all aspects of the Fund's performance and funding and amend these two documents if required.
- Effectively manage any potential conflicts of interest arising from its dual role both as Administering Authority and as Scheme Employer.

- Take measures, as set out in the Regulations, to safeguard the Fund against the consequences of employer default
- Enable the Local Pension Board to review the valuation process as set out in their terms of reference.
- Ensure consistent use of policies relating to revising employer contributions between formal valuations, entering into Deferred Debt Agreements and spreading exit payments and ensure the process of applying those policies is clear and transparent to all Fund employers.

**Individual Employers**

3.3 Individual Employers will:

- Deduct contributions from employees' pay.
- Pay all ongoing contributions, including their employer's contribution as determined by the Fund Actuary, and where relevant set out in the rates and adjustment certificate, promptly by the due date (including contributions due under a Deferred Debt Agreement).
- Develop a policy on certain discretions and exercise those discretions within the regulatory framework.
- Pay for additional membership or pension, augmentation, early release of benefits or other one off strain costs in accordance with agreed arrangements.
- Notify the Administering Authority promptly of all changes to membership, or other changes which affect future funding
- Note and if desired respond to any consultation regarding the Funding Strategy Statement, the Investment Strategy Statement or other policies.
- Pay any exit payments as required in the event of their ceasing participation in the Fund

**Fund Actuary**

3.4 The Fund Actuary will prepare advice and calculations and provide advice on:

- Funding strategy and the preparation of the Funding Strategy Statement
- Actuarial valuations including the setting of employers' contribution rates and issue of a Rates and Adjustments Certificate, after agreeing assumptions with the Administering Authority and having regard to the Funding Strategy Statement and the LGPS Regulations.
- Bulk transfers and individual benefit-related matters such as pension strain costs, ill health retirement costs, compensatory added years costs, etc.
- Valuations on the cessation of admission agreements or when an employer

ceases to employ active members i.e. the exiting of employers from the Fund.

- Bonds and other forms of security for the Administering Authority against the financial effect on the Fund and of the employer's default.
- Assisting the Administering Authority in assessing whether employer contributions need to be revised between actuarial valuations as permitted or required by the Regulations, in particular in relation to any review of contributions between triennial valuations under Regulations 64(4) and 64A.
- Provide views in relation to any decision by the Administering Authority to put in place a Deferred Debt Agreement under Regulation 64(7A) or spread an exit payment under Regulation 64B.
- Ensure that the Administering Authority is aware of any professional guidance requirements which may be of relevance to his or her role in advising the Administering Authority.

Such advice will take account of the funding position and Funding Strategy Statement of the Fund, along with other relevant matters.

## 4. <u>FUNDING STRATEGY</u>

**Risk Based Approach**

4.1 The Fund utilises a risk based approach to funding strategy.

A risk based approach entails carrying out the actuarial valuation on the basis of the assessed likelihood of meeting the funding objectives. In practice, three key decisions are required for the risk based approach:

- what the Solvency Target should be (the funding objective - where the Administering Authority wants the Fund to get to),
- the Trajectory Period (how quickly the Administering Authority wants the Fund to get there), and
- the Probability of Funding Success (how likely the Administering Authority wants it to be now that the Fund will actually achieve the Solvency Target by the end of the Trajectory Period).

These three choices, supported by complex risk modelling carried out by the Fund Actuary, define the discount rates **(investment return assumptions) which underpin the liabilities/employer funding targets,** and by extension, the appropriate levels of contribution payable. Together they measure the riskiness of the funding strategy.

These three terms are considered in more detail below.

**Solvency Target and Funding Target**

<u>Solvency and Funding Success</u>

4.2 The Administering Authority's primary aim is long-term solvency. Accordingly, employers' contributions will be set to ensure **that the** liabilities can be met over the long term using appropriate actuarial assumptions. The Solvency Target is the amount of assets which the Fund, having taken advice from the Fund Actuary, wishes to hold at the end of the Trajectory Period (see later) to meet this aim.

4.3 The Fund is deemed to be solvent when the assets held are equal to or greater **than the** Solvency Target, where the Solvency Target is the value of the Fund's liabilities evaluated using appropriate methods and assumptions. The Administering Authority believes that its funding strategy will ensure the solvency of the Fund because employers collectively have the financial capacity to increase employer contributions should future circumstances require**, i.e. if the funding level falls below 100%.**

4.4 For secure tax raising Scheduled Bodies and Admission Bodies with guarantors of sound covenant agreeing to subsume assets and liabilities following exit, the

Solvency Target will use appropriate actuarial methods and assumptions that are believed appropriate in the long term for those Bodies. For the **2022** valuation the Solvency Target will be set using an assumed rate of return of 2% in excess of the assumed long term annual increase in the Consumer Prices Index, which is intended to be a prudent outperformance assumption based on assumed future asset holdings.

4.5 For non **-** tax raising Scheduled Bodies the Solvency Target may (dependent on circumstances) be set at a more prudent level than that used for Scheduled Bodies and Admission Bodies with guarantors of sound covenant agreeing to subsume assets and liabilities following exit.

4.6 For Admission Bodies and other bodies whose liabilities are expected to be orphaned following exit, the required Solvency Target will be set at a more prudent level dependent on circumstances. For most such bodies, the chance of achieving solvency will be set commensurate with assumed investment in an appropriate portfolio of Government index linked and fixed interest bonds after exit.

4.7 For deferred employers it is expected that the Solvency Target will be set by considering the valuation basis which would be adopted once the Deferred Debt Agreement ends. For most such bodies, the Solvency Target will be set commensurate with assumed investment in Government bonds at the end of the period of the Deferred Debt Agreement.

<u>Probability of Funding Success</u>

4.8 The Administering Authority deems funding success to have been achieved if the Fund, at the end of the Trajectory Period (or the longest employer Recovery Period, if longer), has achieved the Solvency Target. The Probability of Funding Success is the assessed chance of this happening based on the level of contributions payable by members and employers and asset-liability modelling carried out by the Fund Actuary.

4.9 Consistent with the Administering Authority's aim of enabling employers' total contributions to be kept as nearly constant as possible, the required chance of achieving the Solvency Target at the end of the relevant Trajectory Period for each employer or employer group can be altered at successive valuations within an overall envelope of acceptable risk.

4.10 The Administering Authority will not permit contributions to be set following a valuation that have an unacceptably low chance of achieving the Solvency Target at the end of the relevant Trajectory Period.

**Trajectory Periods**

4.11 The Trajectory Period in relation to an employer is the period between the valuation date and the date on which solvency is targeted to be achieved.

4.12 Maintaining a stable Trajectory Period avoids undue volatility when setting long term assumptions for the Fund, where the Administering Authority would in ideal circumstances look to reduce the Recovery Period over time in order to achieve Full Funding. A Trajectory Period of 25 years will be used for the valuation at 31 March **2022.**

**Funding Target**

4.13 In order to satisfy the legislative requirement to secure long term cost efficiency the Administering Authority's aim is for employer contributions to be set so as to make provision for the cost of benefit accrual, with an appropriate adjustment for any surplus or deficiency. This is achieved through the setting of a Funding Target.

4.14 The Funding Target is the amount of assets which the Fund needs to hold at the valuation date to pay the liabilities at that date as indicated by the chosen valuation method and assumptions. It is a product of the actuarial valuation exercise and is not the same as the Solvency Target. It is instead the product of the data, chosen assumptions, and valuation method. The valuation method including the components of Funding Target, future service costs and any adjustment for the surplus or deficiency simply serve to set the level of contributions payable, which in turn dictates the chance of achieving the Solvency Target at the end of the Trajectory Period (defined below).

4.15 Consistent with the aim of enabling employers' primary contribution rates to be kept as nearly constant as possible:

- Contribution rates are set by use of the Projected Unit valuation method for most employers. The Projected Unit method is used in the actuarial valuation to determine the cost of benefits accruing to the Fund as a whole and for employers who continue to admit new members. This means that the future service (primary) contribution rate is derived as the cost of benefits accruing to employee members over the year following the valuation date expressed as a percentage of members' pensionable pay over that period.

- For employers who no longer admit new members, the Attained Age valuation method is normally used. This means that the future service (primary) contribution rate is derived as the average cost of benefits accruing to members over the period until they die, leave the Fund or retire.

4.16 The discount rate, and hence the overall required level of employer contributions, has been set for the **2022** valuation such that the Fund Actuary estimates that there is an **83.5%** Probability of Funding Success – i.e. an **83.5%** chance that the Fund would reach or exceed its Solvency Target after a Trajectory Period of 25 years (on the assumption that Recovery Periods were less than 25 years for all employers).

4.17 **For all funding targets an allowance will be made for future pension increases and revaluation of pension accounts using an assumption for future CPI increases which is derived consistently with the modelling underpinning the discount rates. At the 2022 valuation this is a long-term best estimate CPI assumption of 2.3% p.a. Allowance may also be made for any short-term inflationary pressures where this is considered appropriate and prudent. At the 2022 valuation an adjustment of 10% will be added to the liabilities for employers subject to the Scheduled Body and Subsumption Funding Targets. This adjustment will be reviewed at future calculation dates to ensure it remains appropriate in light of prevailing market conditions.**

**Application to different types of body**

4.18 Some comments on the principles used to derive the Solvency and Funding Target for different bodies in the Fund are set out below.

Scheduled Bodies and certain other bodies of sound covenant

4.19 The Administering Authority will adopt a general approach in this regard of assuming indefinite investment in a broad range of assets of higher risk than low risk assets for secure tax raising Scheduled Bodies whose participation in the Fund is considered by the Administering Authority to be indefinite and certain other bodies which are long term in nature i.e. Admission bodies with a subsumption commitment from such Scheduled Bodies. This is known as the scheduled and subsumption body funding target.

4.20 For other Scheduled Bodies the Administering Authority may without limitation, take into account the following factors when setting the funding target for such bodies:

- the type/group of the employer
- the business plans of the employer;
- an assessment of the financial covenant of the employer including its long term commitment to participate in the Fund;
- any contingent security available to the Fund or offered by the employer such as a guarantor or bond arrangement, charge over assets, etc.

4.21 Where, by virtue of having taken account of some or all of the above factors, the Administering Authority adopts a less risky (more prudent) funding target than the scheduled and subsumption body funding target for any scheduled bodies, this is known as the intermediate funding target.

Admission Bodies and certain other bodies whose participation is limited

4.22 For Admission Bodies, bodies closed to new entrants and other bodies whose participation in the Fund is believed to be of limited duration through known constraints or reduced covenant, and for which no access to further funding would be available to the Fund after exit (e.g. where no subsumption commitment is in place from a secure tax raising Scheduled Body) the Administering Authority will have specific regard to the potential for participation to cease (or to have no contributing members), the potential timing of such exit, and any likely change in notional or actual investment strategy as regards the assets held in respect of the body's liabilities at the date of exit. This is known as the (ongoing) orphan admission bodies funding target. It is not the same as the exit basis.

Deferred employers where a Deferred Debt Agreement is in place

4.23 For deferred employers where a Deferred Debt Agreement is in place the funding target will take into account any likely change in the notional or actual investment strategy as regards the assets held in respect of the body's liabilities at the date the Deferred Debt Agreement is expected to end and any other factors considered to be relevant by the Administering Authority on the advice of the Actuary, which may include, without limitation:

- the agreed period of the Deferred Debt Agreement;
- the type/group of the employer;
- the business plans of the employer;
- an assessment of the financial covenant of the employer;
- any contingent security available to the Fund by the employer such as a guarantor or bond arrangements, charge over assets, etc

Further details of the Administering Authority's policy for Deferred Debt Agreements are set out in Appendix 1.

**Full Funding**

4.24 The Fund is deemed to be fully funded when the assets held are equal to 100% of the Funding Target, where the funding target is assessed based on the sum of the appropriate funding targets across all the employers / groups of employers. When assets held are greater than this amount the Fund is deemed to be in surplus, and when assets held are less than this amount the Fund is deemed to be in deficiency.

**Recovery Periods**

4.25 Where a valuation reveals that the Fund is in surplus or deficiency against the Funding Target, employers' contribution rates **may** be adjusted to target restoration of fully funding the solvent position over a period of years (the

Recovery Period). The Recovery Period to an employer or group of employers is therefore the period over which any adjustment to the level of contributions in respect of a surplus or deficiency relative to the Funding Target used in the valuation is payable.

4.26 The Recovery Period applicable for each participating employer is set by the Administering Authority in consultation with the Fund Actuary and the employer, with a view to balancing the various funding requirements against the risks involved due to such issues as the financial strength of the employer and the nature of its participation in the Fund, and whether the employer is in surplus or deficit on the appropriate Funding Target.

4.27 Where an employer is in surplus, and where an employer's expected exit date is unknown or expected to be later than the date the revised rates and adjustments certificate will come into force following the next valuation, this surplus will only lead to an adjustment in an employer's contributions to the extent that this surplus is in excess of 10% of the value of that employer's liabilities valued relative to the appropriate Funding Target (i.e. to the extent that the employer's funding level is greater than 110%). Note that where an employer is subject to a temporary relaxation of the requirement for Full Funding, or subject to the subsumption funding target by virtue of a temporary subsumption commitment from City and County of Swansea and/or Neath Port Talbot County Borough Council (see below), the Administering Authority will have regard to the contribution requirement that would have applied without this temporary commitment when determining the extent to which any surplus can lead to contribution reductions.

4.28 The Administering Authority recognises that a large proportion of the Fund’s liabilities are expected to arise as benefit payments over long periods of time. For employers of sound covenant, and where the employer is in deficit, the Administering Authority may be prepared to agree to Recovery Periods which are longer than the average future working lifetime of the membership of that employer. The Administering Authority recognises that such an approach is consistent with the aim of keeping employer contribution rates as nearly constant as possible. However, the Administering Authority also recognises the risk in relying on long Recovery Periods where employers are in deficit, and has agreed with the Fund Actuary a limit of 30 years for employers which are assessed by the Administering Authority as being a long term secure employer.

4.29 Where employers are in deficit, the Administering Authority’s policy is to agree Recovery Periods with each employer which are **typically shorter where possible** within the above framework. Recovery Periods for employers or employer groups may differ in order to suitably balance risk to the fund and cost to the employer. For employers whose participation in the fund is for a fixed period it is unlikely that the Administering Authority and Fund Actuary would agree to a Recovery Period longer than the remaining term of participation. For deferred employers the Recovery Period is limited to the period of the Deferred Debt Agreement.

4.30 Resulting from the **2022** valuation, a Recovery Period of up to **16** years was used for **employers who were in deficit**, with an average Recovery Period of just under **16** years across all participating employers. For employers in surplus, **an average Recovery Period of just under 19 years was used.**

**Grouping**

4.31 In some circumstances it may be desirable to group employers within the Fund together for funding purposes (i.e. to calculate employer contributions). Reasons might include reduction of volatility of contribution rates for small employers, facilitating situations where employers have a common source of funding or accommodating employers who wish to share the risks related to their participation in the Fund.

4.32 The Administering Authority recognises that grouping can give rise to cross subsidies from one employer to another over time. Employers may be grouped entirely, such that all of the risks of participation are shared, or only partially grouped such that only specified risks are shared. The Administering Authority's policy is to consider the position carefully at the initial grouping and at each valuation and to notify each employer that is grouped that this is the case, which other employers it is grouped with and details of the grouping method used. If the employer objects to this grouping, it will be set its own contribution rate. For employers with more than 50 contributing members, the Administering Authority would typically look for evidence of homogeneity between employers before considering grouping.

Where employers are grouped together for funding purposes, this will only occur with the consent of the employers involved.

4.33 All employers in the Fund are grouped together in respect of the risks associated with payment of lump sum benefits on death in service – in other words, the cost of such benefits is shared across the employers in the Fund. Such lump sum benefits can cause funding strains which could be significant for some of the smaller employers without insurance or sharing of risks. The Fund, in view of its size, does not see it as cost effective or necessary to insure these benefits externally and this is seen as a pragmatic and low cost approach to spreading the risk.

4.34 There is a group of employers in the Fund which will be pooled together for funding and contribution purposes at the **2022** valuation.

4.35 From 1 April 2022 it is expected that the Town and Community Councils Group will consist of the following employers - Briton Ferry Town Council, Cilybebyll Community Council, Coedffranc Community Council**, Llangyfelach Community**

**Council, Llanrhidian Higher Community Council**, Margam Joint Crematorium Committee, **Mumbles Town Council**, Neath Town Council, Pelenna Community Council, Pontardawe Town Council and **Ystylafera Community Council**, and any new small councils will join this group going forward.

4.36 Under the pooling approach these employers will pay a common percentage of pay as their primary contribution rate and will share experience (subject to each employer not taking action which adversely and materially, as determined by the Administering Authority, affects the group's liabilities in which case the Administering Authority may ensure that employer meets the additional liabilities it has created by such action). Each employer in the group will be responsible for meeting any deficit (or benefit from any surplus) allocated to the employer i.e. this will be outside the experience sharing mechanism. Any deficit recovery plan will be based on the specific employer's circumstances.

4.37 In the event that an employer in the group has no active members consideration will be given to first issuing a 'suspension notice' which under the regulations can defer the exit valuation for up to three years if in the reasonable opinion of the administering authority the employer is likely to have one or more active members contributing to the fund within the period specified in the suspension notice. In the event of an exit valuation, the assets and liabilities following exit will be subsumed by the group and the exited employer will not be required to pay any further contributions unless it admits an employee into the Fund, in which case it is expected that the employer will re-join the group as a participating employer. Further, no exit credit will be paid to the exiting scheme employer, unless the exiting scheme employer is in surplus when liabilities are calculated using a Funding Target that anticipates investment in low risk investments such as Government bonds.

However, if the exiting employer is likely to have a material impact on the contribution rate payable by the remaining employers then the Administering Authority may decide that the exiting employer should make additional payments to the Fund over a period of time to protect the remaining employers from such increases.

**Stepping**

4.38 Again, consistent with the requirement to keep primary employer contribution rates and overall employer contributions as nearly constant as possible, the Administering Authority will consider, at each valuation, whether new contribution rates should be payable immediately, or should be reached by a series of steps over future years. The Administering Authority will discuss with the Fund Actuary the risks inherent in such an approach and will examine the financial impact and risks associated with each employer. The Administering Authority's policy is that in the normal course of events no more than three equal annual steps will be permitted. Further steps may be permitted in extreme cases in consultation with the Fund Actuary, but the total is very unlikely to exceed six steps.

**Pre-Payment of contributions**

4.39 The Administering Authority may, after considering the advice of the Fund Actuary, permit particular employers to pay contributions early as a lump sum that would otherwise be payable over the following year (or a longer period not exceeding three years). An appropriate discount as determined by the Fund Actuary, would be applied to the contributions to reflect the early payment. A true-up adjustment may be required if the early payment of contributions based on an estimated payroll results in lower contributions being paid into the Fund (after allowing for the discount) than would otherwise have been the case.

**Inter-valuation funding calculations**

4.40 In order to monitor developments for the Fund as a whole, the Administering Authority may from time to time request informal valuations or other calculations. Generally, in such cases the calculations will be based on an approximate roll forward of asset and liability values, and liabilities calculated by reference to assumptions consistent with the most recent preceding valuation. Specifically, it is unlikely that the liabilities would be calculated using individual membership data, and nor would the assumptions be subject to review as occurs at formal funding valuations.

**Asset shares notionally allocated to individual employers**

4.41 Notional asset shares

In order to establish contribution levels for individual employers or groups of employers it is convenient to notionally subdivide the Fund as a whole between the employers (or group of employers where grouping operates), as if each employer had its own notional asset share within the Fund.

4.42 This subdivision is for funding purposes only. It is purely notional in nature and does not imply any formal subdivision of assets, nor ownership of any particular assets or groups of assets by any individual employer or group.

Roll-forward of notional asset shares

4.43 The notional asset share allocated to each employer will be rolled forward allowing for all cashflows associated with that employer's membership, including contribution income, benefit outgo, transfers in and out and investment income allocated as set out below. In general, no allowance is made for the timing of contributions and cashflows for each year are assumed to be made half-way through the year with investment returns assumed to be uniformly earned over that year.

Further adjustments are made for:

- A notional deduction to meet the expenses paid from the Fund in line with the assumption used at the previous valuation.
- Allowance for any known material internal transfers in the Fund (cashflows will not exist for these transfers). The Fund Actuary will assume an estimated cashflow equal to the value of the liabilities determined using a cash equivalent transfer value basis unless some other approach has been agreed between the two employers.
- Allowance for lump sum death in service and any other benefits shared across all employers (see earlier).
- An overall adjustment to ensure the notional assets attributed to each employer is equal to the total assets of the Fund which will take into account any gains or losses related to the orphan liabilities.

4.44 In some cases information available will not allow for such cashflow calculations. In such a circumstance:

- Where, in the opinion of the Fund Actuary, the cashflow data which is unavailable is of low materiality or where estimated cashflows can be produced with reasonable accuracy, estimated cashflows will be used.
- Where, in the opinion of the Fund Actuary, the cashflow data which is unavailable is material or difficult to estimate with necessary accuracy, the Fund Actuary may instead use an analysis of gains and losses to roll forward the notional asset share. Analysis of gains and losses methods are less precise than use of cashflows and involve calculation of gains and losses relative to the surplus or deficiency exhibited at the previous valuation. Having established an expected surplus or deficiency at this valuation, comparison of this with the liabilities evaluated at this valuation leads to an implied notional asset holding.

- Analysis of gains and losses methods will also be used where the results of the cashflow approach appears to give unreliable results perhaps because of unknown internal transfers.

**Fund maturity**

4.45 To protect the Fund, and individual employers, from the risk of increasing maturity producing unacceptably volatile contribution adjustments as a percentage of pay the Administering Authority will normally require defined capital streams from employers in respect of any disclosed funding deficiency.

4.46 In certain circumstances, for secure employers considered by the Administering Authority as being long term in nature, contribution adjustments to correct for any disclosed deficiency may be set as a percentage of payroll. Such an approach carries an implicit assumption that the employer's payroll will increase at an assumed rate. If payroll fails to grow at this rate, or declines, insufficient corrective action will have been taken. To protect the Fund against this risk, the Administering Authority will consider requiring top up payments where deficit contributions fall below a minimum level, or further alternative approaches as it deems appropriate.

## 5. SPECIAL CIRCUMSTANCES RELATED TO CERTAIN EMPLOYERS

**Interim reviews**

5.1 Regulation 64(4) of the Regulations provides the Administering Authority with a power to carry out valuations in respect of employers where there are circumstances which make it likely that an employer will become an exiting employer, and for the Fund Actuary to certify revised contribution rates, between funding valuation dates.

5.2 The Administering Authority's overriding objective at all times is that, where possible, there is clarity over the Funding Target for that body, and that contribution rates payable are appropriate for that Funding Target. However, this is not always possible as any date of exit may be unknown (for example, participation may be assumed at present to be indefinite), and also because market conditions change daily.

5.3 The Administering Authority's general approach in this area is as follows:

- Where the date of exit is known, and is more than three years hence, or is unknown and assumed to be indefinite, interim valuations will generally not be carried out at the behest of the Administering Authority.
- For Transferee Admission Bodies falling into the above category, the Administering Authority sees it as the responsibility of the relevant Scheme Employer to instruct it if an interim valuation is required. Such an exercise would be at the expense of the relevant Scheme Employer unless otherwise agreed.
- A material change in circumstances, such as the date of exit becoming known, material membership movements or material financial information coming to light may cause the Administering Authority to informally review the situation and subsequently formally request an interim valuation.
- For an employer whose participation is due to exit within the next three years, the Administering Authority will keep an eye on developments and may see fit to request an interim valuation at any time.

5.4 Notwithstanding the above guidelines, the Administering Authority reserves the right to request an interim valuation of any employer at any time if Regulation 64(4) applies.

5.5 Regulation 64A of the Regulations provides the Administering Authority with a power to obtain a revision of the rates and adjustments certificate in certain other circumstances. Further details of the Administering Authority's policy in relation to Regulation 64A is set out in Appendix 2.

**Guarantors**

5.6 Some employers may participate in the Fund by virtue of the existence of a Guarantor. The Administering Authority maintains a list of employers and their associated Guarantors and monitors the exposure of the Guarantors. The Administering Authority, unless notified otherwise, sees the duty of a Guarantor to include the following:

- If an employer ceases and defaults on any of its financial obligations to the Fund, the Guarantor is expected to provide finance to the Fund such that the Fund receives the amount certified by the Fund Actuary as due, including any interest payable thereon.
- If the Guarantor is an employer in the Fund and is judged to be of suitable covenant by the Administering Authority, the Guarantor may defray some of the financial liability by subsuming the residual liabilities into its own pool of Fund liabilities. In other words, it agrees to be a source of future funding in respect of those liabilities should future deficiencies emerge.
- During the period of participation of the employer a Guarantor can at any time agree to the future subsumption of any residual liabilities of an employer. The effect of that action would be to reduce the Funding and Solvency Targets for the employer, which would probably lead to reduced contribution requirements.

**New employers**

**Initial Rate**

5.7 When a new employer joins the Fund, the Fund's Actuary determines the initial employer contribution rate payable.

5.8 An interim contribution rate may be set pending a more accurate calculation by the Fund's Actuary of the employer contribution rate payable. The Administering Authority will determine these interim contribution rates following each Actuarial Valuation and at any other time at its discretion.

5.9 The employer contribution rate will be set in accordance with the Funding Strategy Statement, taking into consideration elements such as:

- Any past service or transferred liabilities
- Whether the new employer is open or closed to new entrants
- The funding target that applies to the employer

- The funding level on commencement and, where there is a surplus or deficit, whether the admission agreement is fixed term or not, whether open or closed and the period of any fixed term contract period or average future working lifetime of the employee membership (as appropriate)
- Other relevant circumstances as determined by the Administering Authority on the advice of the Fund Actuary

**New Admission Bodies**

5.10 Where the Administering Authority makes an admission agreement with a body (the New Body), the default stance of the Fund is that the relevant Scheme employer, as defined in Part 3 of Schedule 2 of the LGPS Regulation 2013, will be required to subsume the liabilities (see below) at the point that the New Body no longer has any contributing members. This will be set out within the Admission Agreement or side agreement, and apply to both the liabilities of the initial transferring membership and, in the case of an open admission agreement, any liabilities of the New Body relating to members that commence participation after the initial transfer under the terms of the Admission Agreement.

5.11 Unless agreed otherwise (between the relevant Scheme employer and the New Body) the New Body would be required to target sufficient assets to fully fund the liabilities subsumed by the relevant Scheme employer at exit on the assumptions applicable to the relevant Scheme employer.

**Bonds and other securitization**

5.12 Paragraph 6 of Part 3, Schedule 2 of the Regulations creates a requirement for a new Admission Body to carry out to the satisfaction of the Administering Authority (and the Scheme Employer in the case of a Transferee Admission Body admitted under paragraph 1(d)(i) of that Part) an assessment taking account of actuarial advice of the level of risk on premature termination by reason of insolvency, winding up or liquidation.

5.13 Where the level of risk identified by the assessment is such as to require it the Admission Body shall enter into an indemnity or bond with an appropriate party. Where it is not desirable for an Admission Body to enter into an indemnity or bond, the body is required to secure a guarantee in a form satisfactory to the Administering Authority from an organisation that either funds, owns or controls the functions of the admission body.

5.14 The Administering Authority's approach in this area is as follows:

- In the case of Transferee Admission Bodies admitted under Paragraph 1(d) of Part 3, Schedule 2 of the Regulations and other Admission Bodies with a Guarantor, and so long as the Administering Authority judges the relevant Scheme Employer or Guarantor to be of sufficiently sound covenant, any bond exists purely to protect the relevant Scheme Employer or Guarantor on default of the Admission Body. As such, it is entirely the responsibility of the relevant Scheme Employer or Guarantor to arrange any risk assessments and decide the level of required bond. The Administering Authority will be pleased to supply some standard calculations provided by the Fund Actuary to aid the relevant Scheme Employer, but this should not be construed as advice to the relevant Scheme Employer on this matter.

- In the case of Transferee Admission Bodies admitted under Paragraph 1(d) of Part 3, Schedule 2 of the Regulations, or under Paragraph 1(e) of Part 3, Schedule 2 of the Regulations, where the Administering Authority does not judge the relevant Scheme Employer to be of sufficiently strong covenant, and other Admission Bodies with no Guarantor or where the Administering Authority does not judge the Guarantor to be of sufficiently strong covenant, the Administering Authority must be involved in the assessment of the required level of bond to protect the Fund. The admission will only be able to proceed once the Administering Authority has agreed the level of bond cover. The Administering Authority will supply some standard calculations provided by the Fund Actuary to aid the relevant Scheme Employer form a view on what level of bond would be satisfactory. The Administering Authority will also on request supply this to the Admission Body or Guarantor. This should not be construed as advice to the Scheme Employer, Guarantor or Admission Body.
- The Administering Authority notes that levels of required bond cover can fluctuate and will review, or recommends that the Scheme Employer reviews, the required cover at least once a year.

**Subsumed liabilities**

5.15 Where an employer is exiting the Fund such that it will no longer have any contributing members, it is possible that another employer in the Fund agrees to provide a source of future funding in respect of any emerging deficiencies in respect of those liabilities.

5.16 In such circumstances the liabilities are known as subsumed liabilities (in that responsibility for them is subsumed by the accepting employer). For such liabilities the Administering Authority will assume that the investments held in respect of those liabilities will be the same as those held for the rest of the liabilities of the accepting employer. Generally this will mean assuming continued investment in a mix of growth and matching assets.

**Orphan liabilities**

5.17 Where an employer is exiting the Fund such that it will no longer have any contributing members, unless any residual liabilities are to become subsumed liabilities, the Administering Authority will act on the basis that it will have no further access for funding from that employer once any exit valuation, carried out in accordance with Regulation 64, has been completed and any sums due have been paid. Residual liabilities of employers from whom no further funding can be obtained are known as orphan liabilities.

5.18 The Administering Authority will seek to minimise the risk to other employers in the Fund that any deficiency arises on the orphan liabilities such that this creates a cost for those other employers to make good the deficiency. To give effect to this, the Administering Authority will seek funding from the outgoing employer sufficient to enable it to match the liabilities with low risk investments, generally Government bonds.

5.19 To the extent that the Administering Authority decides not to match these liabilities with Government bonds of appropriate term then any excess or deficient returns will be added to or deducted from the investment return to be attributed to the employer's notional assets between the exit date of the employer and each subsequent funding valuation of the Fund. Assets will then be reallocated within the Fund to ensure the orphan liabilities remain 100% funded on a low risk basis after taking account of any outstanding exit payments payable to, or due from the exiting employer, with any investment profit or loss allocated to the contributing employers in proportion to their notional asset share.

**Smoothing of contribution rates for Admission Bodies**

5.20 The Administering Authority recognises that a balance needs to be struck as regards the financial demands made of Admission Bodies. On the one hand, the Administering Authority requires all Admission Bodies to be fully self funding, such that other employers in the Fund are not subject to levels of expense as a consequence of the participation of those Admission Bodies. On the other hand, in extreme circumstances, requiring achievement of Full Funding over a short time horizon may precipitate failure of the body in question, leading to significant costs for other participating employers.

5.21 In circumstances which the Administering Authority judges to be extreme, the Administering Authority will engage with the City and County of Swansea and Neath Port Talbot County Borough Council, as the dominant employers in the Fund, with a view to seeking agreement that the requirement that contribution rates target Full Funding can be temporarily relaxed, or alternatively one or both employers agree to subsume the relevant Admission Bodies on exit.

5.22 Should an Admission Body leave the Fund during a period where the City and County of Swansea and/or Neath Port Talbot County Borough Council has agreed to subsumption of residual liabilities, the exit funding requirement will be reduced to reflect the Fund's continuing access to funding, should a deficiency emerge in the future in respect of those liabilities (see cessation of participation for subsumed liabilities below).

5.23 At subsequent valuations the position will be reassessed with a view to returning Admission Bodies to paying contributions which target Full Funding.

**Cessation of participation i.e. Exiting the Fund**

5.24 Where an employer becomes an exiting employer, an exit valuation will be carried out in accordance with Regulation 64. That valuation will take account of any activity as a consequence of exiting regarding any existing contributing members (for example any bulk transfer payments due) and the status of any liabilities that will remain in the Fund. When employees do not transfer to another employer they will retain pension rights within the Fund, i.e. either as a deferred pensioner or immediately taking retirement benefits.

5.25 The assumptions adopted to value the departing employer’s liabilities for the exit valuation (including on termination of any Deferred Debt Agreement) will depend upon the circumstances. In particular, the exit valuation will distinguish between residual liabilities which will become orphan liabilities, and liabilities which will be subsumed by long-term other employers.

5.26 For orphan liabilities the Funding Target in the exit valuation will anticipate investment in low risk investments such as Government bonds. This is to protect the other employers in the Fund, as upon exit, the employer's liabilities will become "orphan" liabilities within the Fund, and there is no recourse to that (former) employer if a deficit emerges in relation to these liabilities after the exit date. Any deficit or surplus in the Fund in respect of the employer will generally be due to the Fund as a termination contribution (but see 5.29 below), or payable by the Fund to the employer as an exit credit respectively, where the exit date is on or after 14 May 2018.

5.27 For subsumed liabilities the exit valuation will be determined on the basis that the scheme employer, or in the case of grouped employers, the remaining contributing group employers, providing the subsumption commitment will subsume all assets and liabilities from the exiting scheme employer. No exit credit will be paid to, or any exit debt required from, the exiting scheme employer, unless the exiting scheme employer is in surplus when liabilities are calculated using a Funding Target that anticipates investment in low risk investments such as Government bonds. The assets and liabilities will be subsumed within those of the employer, or employers, providing the subsumption commitment, with future contribution requirements for this employer, or group of employers, being reassessed at each actuarial valuation.

5.28 In addition, the Administering Authority may, at its discretion, include additional margins for prudence compared to the approach used for determining ongoing contributions, for example in relation to regulatory uncertainty (which at the date of this Statement includes uncertainty associated with the McCloud case, the

Goodwin case, cost management process and indexation and equalisation of GMP).

5.29 Following the above process, any deficit in the Fund in respect of the Employer will be due to the Fund as a termination contribution unless it is agreed by the Administering Authority and the other parties involved that:

- the assets and liabilities relating to the employer will transfer within the Fund to another participating employer;
- the employer and Administering Authority will enter into a Deferred Debt Agreement**; or**
- the exit payment can be spread over a reasonable period as permitted by regulation 64B

Details of the approach to be adopted for such an assessment on exit, including how any exit credit may be determined and the conditions in which the Administering Authority will consider agreeing to enter into a Deferred Debt Agreement or to permit spreading of any exit payments are set out in Appendix 1.

**Exit payments and exit credits**

5.30 Further information on the Administering Authority's policy on exit payments, and exit credits is set out in Appendix 1.

**Deferred Debt Agreements**

5.31 Regulation 64(7A) permits the Administering Authority to enter into a written agreement with an existing Scheme employer for that employer to defer their obligation to make an exit payment and continue to make contributions at the secondary rate ("a Deferred Debt Agreement").

The Administering Authority's policy in relation Deferred Debt Agreements is set out in Appendix 1.

## 6. IDENTIFICATION OF RISKS AND COUNTER MEASURES

### Approach

6.1 The Administering Authority seeks to identify all risks to the Fund and to consider the position both in aggregate and at an individual risk level. The Administering Authority will monitor the risks to the Fund, and will take appropriate action to limit the impact of these both before, and after, they emerge wherever possible.

6.2 The Administering Authority will ensure that funding risks are included within their overarching risk management framework and strategy, linking to their risk register and risk management policy as appropriate and includes defining a role for the Local Pension Board within this framework.

6.3 The main risks to the Fund are considered below:

### Choice of Solvency and Funding Targets

6.4 The Administering Authority recognises that future experience and investment income cannot be predicted with certainty. Instead, there is a range of possible outcomes, and different assumed outcomes will lie at different places within that range.

6.5 The more optimistic the assumptions made in determining the Solvency and Funding Targets, the more that outcome will sit towards the 'favourable' end of the range of possible outcomes, the lower will be the probability of experience actually matching or being more favourable than the assumed experience, and the lower will be the Solvency and Funding Targets calculated by reference to those assumptions.

6.6 The Administering Authority will not adopt assumptions for Scheduled Bodies and certain other bodies which, in its judgement, and on the basis of actuarial advice received, are such that it is less than 55% likely that the strategy will deliver funding success (as defined earlier in this document). Where the probability of funding success is less than 65% the Administering Authority will not adopt assumptions which lead to a reduction in the aggregate employer contribution rate to the Fund.

6.7 The Administering Authority's policy will be to monitor an underlying 'low risk' position (making no allowance for returns in excess of those available on Government stocks) to ensure that the Funding Target remains realistic.

### Investment Risk

6.8 This covers items such as the performance of financial markets and the Fund's investment managers, asset reallocation in volatile markets, leading to the risk of investments not performing (income) or increasing in value (growth) as forecast. Examples of specific risks would be:

- assets not delivering the required return (for whatever reason, including manager underperformance)
- systemic risk with the possibility of interlinked and simultaneous financial market volatility
- insufficient funds to meet liabilities as they fall due
- inadequate, inappropriate or incomplete investment and actuarial advice is taken and acted upon
- counterparty failure

6.9 The specific risks associated with assets and asset classes are:

- equities – industry, country, size and stock risks
- fixed income - yield curve, credit risks, duration risks and market risks
- alternative assets – liquidity risks, property risk, alpha risk
- money market – credit risk and liquidity risk
- currency risk
- macroeconomic risks
- environmental; social and corporate governance risks

6.10 The Fund mitigates these risks through diversification, investing in a wide variety of markets and assets, and through the use of specialist managers with differing mandates in addition to access to the range of managers via the Wales Pension Partnership investment pool.

6.11 The Administering Authority reviews each investment manager's performance quarterly and annually considers the asset allocation of the Fund by carrying out an annual review meeting with its Investment Advisors and Fund Managers. The Administering Authority also annually reviews the effect of market movements on the Fund's overall funding position.

6.12 If there are significant market movements between the valuation date and the date the valuation is signed off, the Administering Authority, on the advice of the Fund Actuary, may consider what allowance should be made, if any, when finalising employer contributions.

**Employer risk**

6.13 These risks arise from the ever-changing mix of employers, from short-term and ceasing employers, and the potential for a deficit in payments and/or orphaned liabilities where employers are unable to meet their obligations to the Scheme. Public sector spending challenges and inflation may have adverse consequences for employer finances and their ability to make contributions. The Administering Authority monitors employer payments and expects employers in financial difficulty to engage with the Fund, noting that contributions can be reviewed between formal valuations if the conditions in Regulation 64A and the terms of the Administering Authority's policy, as set out in Appendix 2, are met.

6.14 The Administering Authority will put in place a Funding Strategy Statement which contains sufficient detail on how funding risks are managed in respect of the main categories of employer (e.g. scheduled and admission bodies) and other pension fund stakeholders.

6.15 The Administering Authority will maintain a knowledge base on their employers, their basis of participation and their legal status (e.g., charities, companies limited by guarantee, group/subsidiary arrangements) and will use this information to inform the Funding Strategy Statement.

**Climate change**

6.16 The systemic risks posed by climate change and the policies implemented to tackle them will fundamentally change economic, political and social systems and the global financial system. They will impact every asset class, sector, industry and market in varying ways and at different times, creating both risks and opportunities for investors. The Administering Authority keeps the effect of climate change on future returns under review and will commission modelling or advice from the Fund Actuary on the potential effect on funding as required.

6.17 The Administering Authority has commissioned scenario analysis modelling on the potential effect on funding from the Fund's Actuary which will be reported in the 2022 valuation report. This modelling is expected to meet the Government Actuary’s requirements for the 2022 valuations as well as supporting the Fund’s reporting under DLUHC’s proposed new TCFD (Taskforce on Climate-Related Financial Disclosures) regime for LGPS funds.

**Liability risk**

6.18 The main risks include discount rates, pay and price inflation, changing retirement patterns, mortality and other demographic risks. Some of these risks will affect the amount of benefit payments; others will affect the value of benefit payments, i.e. level of assets deemed to be required to meet those benefit payments (the funding target).

6.19 The Administering Authority will ensure that the Fund Actuary investigates demographic, pay and pension increase experience at each valuation and reports on developments. The demographic assumptions are intended to be best estimate, informed by Fund experience and wider evidence where needed, e.g. the mortality assumptions are informed by a postcode analysis carried out by the Fund Actuary's specialist longevity team and the projections model released by the Continuous Mortality Investigation of the Institute and Faculty of Actuaries. If the Administering Authority becomes aware of any material changes in population mortality which may also be reflected in the Fund's experience it will ask the Fund Actuary to report on the effect on the funding position and employer contributions.

6.20 The Fund Actuary will also provide quarterly funding updates to assist the Administering Authority in its monitoring of the financial liability risks. The Administering Authority will, as far as practical, monitor changes in the age profile of the Fund membership, early retirements, redundancies and ill health early retirements in the Fund and, if any changes are considered to be material, ask the Fund Actuary to report on their effect on the funding position and employer contributions.

6.21 Allowance has been made for prevailing high levels of consumer price inflation in the calculation of the liabilities as at 31 March 2022 as set out in paragraph 4.17 above. If significant changes in the value of the liabilities become apparent between valuations, including inflation above the levels allowed for in the 2022 valuation, the Administering Authority may consider revising an employer's contributions as permitted by Regulation 64A and will notify the affected employers of the anticipated impact on costs that will emerge. In addition, the Administering Authority may consider whether to require a review of the bonds that are in place for Admission Bodies. It will also consider the extent to which such changes can or should be allowed for in exit valuations, taking advice from the Fund Actuary.

**Regulatory and Compliance Risk**

6.22 The risks relate to changes to general and LGPS specific regulations, national pension requirements or HM Revenue and Customs' rules. The Administering Authority will keep abreast of all proposed changes to Regulations and LGPS benefits. If any change potentially affects the costs of the Fund, the Administering Authority will ask the Fund Actuary to assess the possible impact on costs of the change. Where significant, the Administering Authority will notify employers of the possible impact and the timing of any change.

6.23 There are a number of consultations which have been issued in recent years, some of which represent proposed changes which were first raised a number of years ago, including a cap on exit payments by public sector employers and new Fair Deal arrangements. Some of these may affect funding and pose a risk to the Fund. The Government has also consulted on changes to the valuation cycle although the Administering Authority understands that the 2022 valuation is going ahead as previously planned.

6.24 There are a number of additional uncertainties associated with the benefit structure at the time of the latest formal review of this Statement, including:

6.25 The timing and detail of any final regulations in relation to the McCloud/Sargeant cases which ruled that the transitional protections implemented in the Firefighters' and Judges' Pension Schemes are illegal age discrimination.

For the purposes of the 2022 valuation, an approximate employer specific allowance will be made in respect of the McCloud remedy based upon a high-level analysis of the employer’s fund membership. Members’ benefits will be valued as required by relevant legislation as in force as at 31 March 2022, except for the following assumptions:

i. It will be assumed that the current underpin (which only applies to those members within 10 years of their Normal Pension Age at 31 March 2012) will be revised and apply to all members who were active in the scheme on or before 31 March 2012 and who join the 2014 Scheme without a disqualifying service gap.
ii. The period of protection will apply from 1 April 2014 to 31 March 2022 but will cease when a member leaves active service or reaches their final salary scheme normal retirement age (whichever is sooner).
iii. Where a member remains in active service beyond 31 March 2022, the comparison of their benefits will be based on their final salary when they leave the LGPS or when they reach their final salary scheme normal retirement age (whichever is sooner).
iv. Underpin protection will apply to qualifying members who leave active membership of the LGPS with an immediate or deferred entitlement to a pension.
v. The underpin will consider when members take their benefits, so they can be assured they are getting the higher benefit.

6.26 The outcome of the cost management process as at 31 March 2020 (and the Judicial Review of the 2016 process).

6.27 The Goodwin case in which an Employment Tribunal ruled (in relation to the Teachers' Pension Scheme) that the less favourable provisions for survivor's benefits of a female member in an opposite sex marriage compared to a female in a same sex marriage or civil partnership amounts to direct discrimination on grounds of sexual orientation. Following a written ministerial statement by the Chief Secretary to the Treasury on 20 July 2020 it is expected that changes will be made to the LGPS Regulations to reflect the ruling, but no changes have yet been proposed.

**Liquidity and Maturity Risk**

6.28 This is the risk of a reduction in cash flows into the Fund (including investment income – e.g. potentially resulting from changes in investment holdings), or an increase in cash flows out of the Fund, or both, which can be linked to changes in the membership and, in particular, a shift in the balance from contributing members to members drawing their pensions. Changes in the funding position and hence (secondary) employer contributions can also affect the cashflow position since it is not always possible to deliver complete stability of contributions. Timing of contribution payments by employers can also impact on liquidity requirements where flexibility is granted by the Administering Authority. Changes within the public sector and to the LGPS itself may affect the maturity profile of the LGPS and have potential cash flow implications. For example,

- Budget cuts and headcount reductions could reduce the active (contributing) membership and increase the number of pensioners through early retirements;

- An increased emphasis on outsourcing and other alternative models for service delivery may result in falling active membership (e.g. where new admissions are closed),
- Public sector reorganisations may lead to a transfer of responsibility between different public sector bodies, (e.g. to bodies which do not participate in the LGPS),
- Lower member contribution rates or a change in the contribution bands, agreed as part of the Cost Management Process or otherwise, may lead to lower contribution income if not immediately matched by higher employer contributions,
- An increase in opt-outs and the take-up of the 50/50 option (whether on affordability grounds which may currently be considered to be an increased risk due to current cost of living pressures) will reduce member contributions to the Fund.
- Improved funding positions may lead to employer contribution rates being reduced.

6.29 The Administering Authority seeks to maintain regular contact with employers to mitigate against the risk of unexpected or unforeseen changes in maturity or other changes leading to cashflow or liquidity issues. The Administering Authority also commissions the Fund Actuary to provide projections of benefit payments and contributions based at each valuation and monitors the cashflow position on a regular basis.

**Governance Risk**

6.30 This covers the risk of unexpected structural changes in the Fund membership (for example the closure of an employer to new entrants or the large scale withdrawal or retirement of groups of staff), or establishment of a wholly owned company which does not participate in the Fund, or only partially participates, and the related risk of the Administering Authority not being made aware of such changes in a timely manner.

6.31 The Administering Authority's policy is to require regular communication between itself and employers, and to ensure regular reviews of such items as bond arrangements, financial standing of non-tax raising employers and funding levels. The Fund will consider commissioning triennial reviews of any bonds as part of its risk management.

**Statistical/Financial Risk**

6.32 This covers such items such as the performances of markets, Fund investment managers, asset reallocation in volatile markets, pay and /or price inflation varying from anticipated levels or the effect of possible increases in employer contribution rate on service delivery and on Fund employers. The Administering Authority policy will regularly assess such aspects to ensure that all assumptions used are still justified.

### Smoothing Risk

6.33 The Administering Authority recognises that utilisation of any smoothing adjustment in the solvency measurement introduces an element of risk, in that the smoothing adjustment may not provide a true measure of the underlying position. Where such an adjustment is used, the Administering Authority will review the impact of this adjustment at each valuation to ensure that it remains within acceptable limits.

### Recovery Period Risk

6.34 The Administering Authority recognises that permitting surpluses or deficiencies to be eliminated over a recovery period rather than immediately introduces a risk that action to restore solvency is insufficient between successive measurements. The Administering Authority will discuss the risks inherent in each situation with the Fund Actuary and to limit the permitted length of recovery period where appropriate. Details of the Administering Authority's policy are set out earlier in this Statement.

### Stepping Risk

6.35 The Administering Authority recognises that permitting contribution rate changes to be introduced by annual steps rather than immediately introduces a risk that action to restore solvency is insufficient in the early years of the process. The Administering Authority will limit the number of permitted steps as appropriate. Details of the Administering Authority's policy are set out earlier in this statement.

## APPENDIX 1: Policy on Exit payments, Exit credits and Deferred Debt Agreements

An employing authority can cease participation in the following circumstances:

- an active employer ceases to be a Scheme employer (including ceasing to be an admission body participating in the Fund), or has no active members contributing to the Fund and does not enter into a Deferred Debt Agreement,
- a deferred employer ceases to participate where the Deferred Debt Agreement ends.

Where participation ceases, an exit valuation will be carried out in accordance with Regulation 64.

Further details on the approach and assumptions are set out in section 5 of the Funding Strategy Statement.

If there are liabilities which cannot be recovered from the exiting employer or any bond/indemnity these will fall to be met by the Fund as a whole (i.e. all other employers) unless there is a guarantor, successor body or subsumption commitment within the Fund.

Employers should be aware that advisory and other costs incurred by the Administering Authority in relation to the exit of an employer from the Fund will be re-charged to the exiting employer.

### Exit payments

Any deficit would normally be levied on the departing employer as a single capital payment although, the Administering Authority may allow phased payments as permitted under Regulation 64B. The Administering Authority's policy in relation to the spreading of exit payments under Regulation 64B is set out below.

It is envisaged that spreading of exit payments will only be considered at the request of an employer. The Administering Authority will then engage/consult with the employer to consider its application and determine whether or not spreading the exit payment is appropriate and the terms which should apply.

In determining whether or not to permit an exit payment to be spread, the Administering Authority will consider factors including, but not limited to:

- the ability of the employer to make a single capital payment;
- whether any security is in place, including a charge over assets, bond, guarantee or other indemnity;
- whether the overall recovery to the Fund is likely to be higher if spreading the exit payment is permitted.

In determining the employer's ability to make a single payment the Administering Authority will seek actuarial, covenant or legal advice as required. Where the Administering Authority considers that the employer is financially able to make a single capital payment it will not normally be appropriate for the exit payment to be spread.

The employer will be required to provide details of its financial position, business plans and financial forecasts and such other information as required by the Administering Authority in order for it to make a decision on whether or not to permit the exit payment to be spread. This information must be provided within 2 months of request.

In determining the appropriate length of time for an exit payment to be spread, the Administering Authority will consider the affordability of the instalments using different spreading periods for the employer. The default spreading period will be three years but longer periods of up to ten years will be considered where the Administering Authority is satisfied that this doesn't pose undue risk to the Fund in relation to the employer's ability to continue to make payments over the period.

Whilst the Administering Authority's preference would be for an employer to request spreading of any exit payment in advance of the exit date, it is acknowledged that a final decision by the employer (and the Administering Authority) on whether this will be financially beneficial/appropriate may not be possible until the employer has exited. Exiting employers will be advised of the exit deficit and the spreading of any payment will only be considered at the request of the employer. Where there is a guarantor, the guarantor will also be consulted and any agreement to spread the exit deficit may be conditional on the guarantee continuing in force during the spreading period.

The amount of the instalments due under an exit deficit spreading agreement will generally be calculated as level annual amounts allowing for interest over the spreading period in line with the discount rate used to calculate the exit liabilities. Where the exit amount is significant, monthly payments may be required or the Administering Authority may require a higher initial payment with lower annual payments thereafter to reduce the risk to the Fund. Alternative payment arrangements may be made in exceptional circumstances as long as the Administering Authority is satisfied that they don't materially increase the risk to the Fund.

Where it has been agreed to spread an exit payment the Administering Authority will advise the employer in writing of the arrangement, including the spreading period; the annual payments due; interest rates applicable; other costs payable (Employers will be asked to pay all advisory costs associated with the spreading agreement as well as calculation of the exit deficit (these costs will not be spread)) and the responsibilities of the employer during the spreading period. Where a request to spread an exit payment has been denied the Administering Authority will advise the employer in writing and provide a brief explanation of the rationale for the decision. The Administering Authority will generally review spreading agreements as part of its preparation for each triennial valuation and will take actuarial, covenant, legal and other advice as considered necessary. In addition, employers will be expected to engage with the Administering Authority during the spreading period and adhere to the notifiable events framework as set out in the Pensions Administration Strategy. If the Administering Authority has reason to believe the employer's circumstances have changed such that a review of the spreading period (and hence the payment amounts) is appropriate, it will consult with the employer and a revised payment schedule may be implemented. Whilst this review may also consider the frequency of payments, it should be noted that it is not envisaged that any review will consider changes to the original exit amount nor interest rate applicable. An employer will be able to discharge its obligations under the spreading arrangement by paying off all future instalments at its discretion. The Administering Authority will seek actuarial advice in relation to whether or not there should be a discount for early payment given interest will have been added in line with the discount rate used for the exit valuation.

**Exit credits**

Where an exit valuation discloses that there is a surplus in the Fund in respect of the exiting employer, and an exit credit is due to be paid to the exiting employer, the Administering Authority will, unless otherwise agreed with the employer, pay the exit credit to the employer within 6 months of the exit date. Where the employer has not provided all the necessary information required by the Administering Authority to enable the Fund Actuary to calculate the final liabilities on exit within 2 months of the exit date, the employer will be deemed to have agreed that the 6 month period should run from the date all the necessary data has been provided. In determining the amount of any exit credit payable the Administering Authority will take the following factors into consideration:

(a) the extent to which there is an excess of assets in the Fund relating to that employer over the liabilities (i.e. a surplus)

(b) the proportion of the surplus which has arisen because of the value of the employer's contributions

(c) any representations made by the exiting employer and, where that employer participates in the scheme by virtue of an admission agreement, any body listed in paragraphs (8)(a) to (d)(iii) of Part 3 to Schedule 2 of the 2013 Regulations, and

(d) any other relevant factors, which include any legal, actuarial or other costs incurred by the Administering Authority in relation to the exit, the circumstances in which any subsumption commitment was granted, and any risk sharing arrangements in place.

**Suspension notices**

Regulation 64(2A) permits the suspension of an employer's liability to make an exit payment for up to 3 years where the Administering Authority believes that the employer is likely to have one or more active members contributing to the Fund within the period specified in the suspension notice. In that case, the Fund will advise the employer of the exit amount calculated by the Actuary and serve a written suspension notice on the employer. Whilst under such a suspension notice, the employer must continue to pay any deficit payments certified to the Fund as if it were an ongoing employer and the actuary will recalculate any deficit and contributions due at the next Actuarial Valuation. If there are no new members by the time the suspension notice expires the Fund Actuary will carry out an exit valuation as at the date the suspension notice expires. **For the avoidance of doubt, when a Town or Community Council exits the Fund their liabilities will be subsumed by the Town and Community Councils Group.**

**Deferred Debt Agreements (DDAs)**

Regulation 64(7A) permits the Administering Authority to enter into a written agreement with an exiting Scheme employer for that employer to defer their obligation to make an exit payment and continue to make contributions at the secondary rate ("a deferred debt agreement").

The Administering Authority's policy in relation to the spreading of exit payments under Regulation 64(7A) is set out below.

In determining whether or not to enter into a DDA with an employer the Administering Authority will take into account the following factors, including but not limited to:

- The materiality of the employer and any exit deficit in terms of the Fund as a whole;
- The risk to the Fund of entering into a DDA, in terms of the likelihood of the employer failing before the DDA has ended, based on information supplied by the employer and supported by a financial risk assessment or more detailed covenant review carried out by the Fund Actuary or other covenant adviser;
- The rationale for the employer requesting a DDA, particularly if the Administering Authority believes it would be able to make an immediate payment to cover the exit deficit; and
- Whether an up front payment will be made towards the deficit, and/or any security is, or can be put, in place, including a charge over assets, bond, guarantee or other indemnity, to reduce the risk to other employers.

Where it is expected that the employer's covenant may materially weaken over time the Administering Authority is very unlikely to consider entering into a DDA with that employer. Further, where an employer can demonstrably meet the exit payment in a single instalment, the Administering Authority would be unlikely to enter into a DDA unless it was clear that this wouldn't increase risk to the Fund, e.g. if the employer was fully taxpayer-backed and sufficient assurance was in place that all contributions due, including any residual deficit at the end of the DDA, would be met in full.

It is envisaged that DDAs will only be entered into at the request of an employer. In any case, the Administering Authority will engage/consult with the employer to consider whether or not a DDA is appropriate and the terms which should apply. As part of its application for a DDA, the Administering Authority will require information from the employer to enable the Administering Authority to take a view on the employer's strength of covenant. Information will also be required on an ongoing basis to enable the employer's financial strength/covenant to be monitored. It is expected that DDAs will be monitored on an annual basis unless circumstances dictate otherwise. Monitoring may be more frequent as the end of the period of the DDA approaches.

Employers should be aware that all advisory fees incurred by the Fund associated with a request for a DDA, whether or not this results in an agreement being entered into, and its ongoing monitoring, will be recharged to the employer.

The Administering Authority will provide a standard form of agreement for DDAs, which it will require employers (and any guarantors) to sign up to. The matters which the Administering Authority will reflect in the DDA, include:

- An undertaking by the employer to meet all requirements on Scheme employers, including payment of the secondary rate of contributions, but excluding the requirement to pay the primary rate of contributions;
- A provision for the DDA to remain in force for a specified period, which may be varied by agreement of the Administering Authority and the deferred employer;
- A provision that the DDA will terminate on the first date on which one of the following events occurs-
  a. The deferred employer enrols new active members;
  b. The period specified, or as varied, elapses;
  c. The take-over, amalgamation, insolvency, winding up or liquidation of the deferred employer;
  d. The Administering Authority serves a notice on the deferred employer that it is reasonably satisfied that the deferred employer's ability to meet the contributions payable under the deferred debt arrangement has weakened materially or is likely to weaken materially in the next 12 months; or
  e. The Fund Actuary assesses that the deferred employer has paid sufficient secondary contributions to cover the exit payment that would have been due if the employer had become an exiting employer on the calculation date.
- The responsibilities of the deferred employer
- The circumstances triggering a cessation of the arrangement leading to an exit payment (or credit) becoming payable, in addition to those set out in Regulation 64 (7E) and above

It is expected that the consultation process with the employer will include discussions on the precise details of the DDA, although the purpose of providing a standard form of agreement is to make the process easier, and quicker and therefore it is not envisaged that there will be material changes to this standard.

The Administering Authority will monitor the funding position and risk/covenant associated with deferred employers on a regular basis. This will be at least triennially and most likely annually, but the frequency will depend on factors such as the size of the employer and any deficit and the materiality of movements in market conditions or the employer's membership.

The circumstances in which the Administering Authority may consider seeking to agree a variation to the length of the agreement under regulation 64(7D) include:

- Where the exit deficit has reduced (increased) such that it is reasonable to reduce (extend) the length of the recovery period and associated period of the DDA assuming that, in the case of the latter, this does not materially increase the risk to the other employers/Fund
- Where the deferred employer's business plans, staffing levels, finances or projected finances have changed significantly, but, in the case of a deterioration, the Administering Authority, having taken legal, actuarial, covenant or other advice as appropriate, does not consider that there is sufficient evidence that deferred employer's ability to meet the contributions payable under the DDA has weakened materially, or is likely to weaken materially in the next 12 months
- Where the level of security available to the Fund has changed in relation to the DDA, as determined by the Administering Authority, taking legal, actuarial or other advice as appropriate

At each triennial valuation, or more frequently as required, the Administering Authority will carry out an analysis of the financial risk or covenant of the deferred employer, considering actuarial, covenant, legal and other advice as necessary. Where supported by the analysis and considered necessary to protect the interests of all employers, the Administering Authority will serve notice on the deferred employer that the DDA will terminate on the grounds that it is reasonably satisfied that the deferred employer's ability to meet the contributions payable under the deferred debt arrangement has weakened materially, or is likely to weaken materially in the next 12 months, as set out under regulation 64(7E)(d).

Employers should be aware that all advisory fees incurred by the Fund associated with consideration of a DDA for an exiting employer, whether or not this results in a DDA being entered into, will be recharged to the employer. This will include actuarial, legal, covenant and other advice and the costs of monitoring the arrangement as well as the initial set up. Estimated costs can be provided on request. All fees must be paid up front and cannot be added to any secondary contributions payable under the DDA.

It is expected that employers will make a request to consider a DDA before they would otherwise have exited the Fund under Regulation 64(1) and that a DDA should be entered into within 3 months of that date. The employer should continue to make secondary contributions at the prevailing rate whilst the DDA is being considered unless the Administering Authority, having taken actuarial and other advice as appropriate, determines that increased contributions should be payable. In exceptional circumstances, e.g. where there has been a justifiable delay due to circumstances outside of the employer's control, and at the sole discretion of the Administering Authority, a DDA may be entered into more than 3 months after the exit date.

Deferred employers will be expected to engage with the Administering Authority during the period of the DDA and adhere to the notifiable events framework as set out in the Pensions Administration Strategy as well as providing financial and other information on a regular basis. This will be necessary to support the effective monitoring of the arrangement and will be a requirement of the DDA.

**APPENDIX 2: Policy on reviewing employer contributions between formal valuations under Regulation 64A**

**1. Background**

This Document explains the policies and procedures of the City and County of Swansea Pension Fund ("the Fund"), administered by City and County of Swansea ("the Administering Authority"), in relation to any amendment of employer contributions between formal valuations as permitted by Regulation 64A.

This Policy supplements the general funding policy as set out in the Funding Strategy Statement and should be read in conjunction with that statement. It is intended to provide transparency and consistency for employers in use of the flexibilities within the Regulations.

The Administering Authority will consider reviewing employer contributions between formal valuations in the following circumstances:

- it appears likely to the Administering Authority that the amount of the liabilities arising or likely to arise has changed significantly since the last valuation;
- it appears likely to the Administering Authority that there has been a significant change in the ability of the Scheme employer or employers to meet the obligations of employers in the Scheme; or
- Scheme employer or employers have requested a review of Scheme employer contributions and have undertaken to meet the costs of that review.

For the avoidance of doubt, the Administering Authority will not consider a review of contributions purely on the grounds of a change in market conditions or demographic assumptions affecting the value of assets and/or liabilities.

**2. Factors used to determine when a review is appropriate**

In determining whether or not a review should take place, the Administering Authority will consider the following factors (noting that this is not an exhaustive list):

- the circumstances leading to the change in liabilities arising or likely to arise, for example whether this is the result of a decision by the employer, such as a significant outsourcing or transfer of staff, closure to new entrants, material redundancies or significant pay awards, or other factors such as ill-health retirements, voluntary withdrawals or the loss of a significant contract
- the materiality of any change in the employer's membership or liabilities, taking account of the Actuary's view of how this might affect its funding position, primary or secondary contribution rate
- whether, having taken advice from the Actuary, the Administering Authority believes a change in ongoing funding target or deficit recovery period would be justified, e.g. on provision or removal of any security, subsumption commitment, bond, guarantee, or other form of indemnity in relation to the employer's liabilities in the Fund

- the materiality of any change in the employer's financial strength or longer-term financial outlook, based on information supplied by the employer and supported by a financial risk assessment or more detailed covenant review carried out by the Fund Actuary or other covenant adviser to the Fund
- the general level of engagement from the employer and its adherence to its legal obligations as set out in the Pensions Administration Strategy Statement and elsewhere, including the nature and frequency of any breaches such as failure to pay contributions on time and data quality issues due to failure to provide new starter or leaver forms

**3. Assessment of the risk/impact on other employers**

In determining whether or not a review should take place, the Administering Authority will generally focus on the materiality of any potential changes in the context of the employer concerned; its financial position and current contribution levels. As a matter of principle, the Administering Authority does not consider that a review is not justified just because an employer is small in the context of the Fund as a whole, noting that failure to act could make discussions at the next formal valuation more difficult and compound the risk to the Fund. However, in determining the extent and speed of any changes to the employer's contributions the Administering Authority will consider the effect on the overall funding position of the Fund, i.e. other Fund employers.

Where contributions are being reviewed for an employer with links to another Fund employer, particularly where this is a formal organisational or contractual link, e.g. there is a tripartite admission agreement, an ownership relationship or a formal guarantee or subsumption commitment is in place, the Administering Authority will consider the potential risk/impact of the contribution review on those other employer(s), taking advice from the Fund Actuary as required.

**4. Employer involvement and consultation**

It is expected that in most cases the employer will be aware of the proposed review of their contributions since this will be triggered by an employer's action and employers should be aware of the need to engage with the Fund in relation to any activity which could materially affect their liabilities or ability to meet those liabilities.

In other cases information will be required from the employer, e.g. in relation to its financial position and business plans which could be the catalyst for informing the employer that a review is being proposed. In all cases the Administering Authority will advise the employer that a review is being carried out and share the results of the review and any risk or covenant assessment as appropriate. It should be noted that the fact of a review being carried out does not automatically mean that contributions will be amended (up or down) since that will depend upon the materiality of the changes and other factors such as the outcome of discussions with the employer and any related/linked employer in the Fund and the proximity to the next formal valuation.

Where, following representations from the employer, the Administering Authority is considering not increasing the employer's contributions following a review, despite there being good reason to do so from a funding and actuarial perspective, e.g. if it would precipitate the failure of the employer or otherwise seriously impair the employer's ability to deliver its organisational objectives or it is expected that the employer's financial position will improve significantly in the near-term, the Administering Authority will consult with any related/linked employers (including any guarantor or employer providing a subsumption commitment) and, where appropriate, the largest employers in the Fund with a view to seeking their agreement to this approach.

**5. Process for requesting a review**

Before requesting a review, employers should consider the regulatory requirements and the Fund's policy as set out above and satisfy themselves that there has been a relevant change in the expected amount of liabilities or their ability to meet those liabilities. The employer should contact the Deputy Chief Finance Officer, Jeffrey Dong, Jeffrey.dong@swansea.gov.uk and complete the necessary information requirements for submission to the Administering Authority in support of their application.
The Administering Authority will consider the employer's request and may ask for further information or supporting documentation/evidence as required. If the Administering Authority, having taken actuarial advice as required, is of the opinion that a review is justified, it will advise the employer and provide an indicative cost. Employers should be aware that all advisory fees incurred by the Fund associated with a contribution review request, whether or not this results in contributions being amended, will be recharged to the employer.

**6. Other considerations**

The Administering Authority may carry out a review at any time during the valuation cycle where it becomes aware that a review is required. In such cases the employer will be expected to provide the requested information within one month of request and the review will be completed within 6 weeks of the provision of all requested information, or completion of the risk/covenant assessment if later.

The Administering Authority will consult with the employer on the timing of any contribution changes and there will be a minimum of 4 weeks' notice given of any contribution increases. In determining whether, and when, any contribution changes are to take effect the Administering Authority will also take into account the timing of contribution changes flowing from the next formal valuation. As a result, contribution reviews are unlikely to be carried out during the 12 month period from the valuation date although if there were any material changes to the expected amount of liabilities arising or the ability of the employer to meet those liabilities during that period, this should be taken into account when finalising the Rates and Adjustments Certificate flowing from the valuation.

**Appendix 9**

# Local Government Pension Scheme (LGPS) - Governance Arrangements

**Introduction**
The City & County of Swansea Pension Fund formally adopted its governance policy at the Pension Fund Panel (subsequently Pension Fund Committee) meeting of the 8th March 2006, attached at Appendix A for information.

Administering Authorities are required by the Department of Communities and Local Government to review the same, with a view to finalising revised arrangements by 1st March 2008.

Following the receipt of the responses to the above exercise, the department for Communities and Local Government have issued governance compliance statutory guidance attached at Appendix B against which Administering Authorities are asked to benchmark local arrangements and produce revised policy statements.

**The City & County of Swansea Pension Fund Governance Arrangements**
In accordance with the guidance issued, an evaluation of current local governance arrangements has been undertaken (Appendix C) which measures compliance against the nine main principles identified:

A. Structure
B. Representation
C. Selection and role of lay members
D. Voting
E. Training/Facility time/Expenses
F. Meetings (frequency/quorum)
G. Access
H. Scope
I. Publicity

As can be seen in Appendix C, local arrangements would largely seem to be compliant save for the area of representation where arrangements could be perceived as non compliant.

The above position was discussed at length (subsequent to the publication of the guidance) with the DCLG and the context of the City & County of Swansea Pension Fund's classification of 'no forms of representation'. It was subsequently recognised by the DCLG that the collaborative work undertaken by the CCSPF in undertaking roadshows, AGMs and having an observer member of another scheme employer should subsequently be recognised in the assessment of representation.

This Administering Authority has always contended that representation correlated with the risk undertaken and as scheme member contribution rates are guaranteed by statute, the only investment risk lies with the employers who are represented in the CCSPF by the members from the City & County of Swansea and Neath Port Talbot CBC.

There is also a comprehensive programme of consultative/informative meetings and roadshows with both employers and employees primarily:

- The Annual Consultative meeting
- The Actuarial valuation consultative programme
- Employers roadshows
- Employees roadshows.

Therefore in light of the above, it is the recommendation to retain current corporate governance structures, noting updates for new personnel, with an intention to review the structure when proposed risk sharing mechanisms are introduced which are timetabled for consideration in 2009/10.

**Appendix A**

# City & County of Swansea Pension Fund

# Governance Policy Statement

**Background**
In November 2005, the Government published the Local Government Pension Scheme (Amendment) (No.2) Regulations 2005.

***The regulations require administering authorities to prepare and publish a governance policy statement. This statement must indicate its delegated functions of the pension fund and its operational policies.***

*Constitutional Framework*

***Under the Council's scheme of Council delegated functions, the functions relating to local government pensions etc. under the regulations section 7, 12, or 24 of the Superannuation Act 1972 have been delegated to the Pension Fund Pension Panel as a full executive function.***

**Introduction to Pension Fund Governance**
Pension Fund management is often seen as secondary to the Administering Authority's main agenda. Yet the financial health of the Pension Fund can exercise an important influence over the health of the entirety of the Authority's finances as well as that of the significant number of other scheduled bodies and admitted bodies within the Fund. Also, a successful pension fund may have some influence in attracting and retaining staff.

In 2000, the Government commissioned a *Review of Institutional investment in the UK* from Paul Myners, Chairman of the Gartmore Fund Management Group. The resultant report (known as the Myners Report) sets out a number of principles codifying best practice in Pension Fund management.

Local Authority pension schemes are usually administered by so-called 'upper tier' authorities, i.e. counties, mets, unitaries and London boroughs. The top level of control is exercised by a Pensions Panel or Pension Fund Panel (the precise nomenclature may vary from authority to authority) comprising host authority members and representation of scheduled and admitted bodies where appropriate. In effect, members of the panel fulfil a quasi trustee function, equivalent to the trustees of a private sector Pension Fund.

Like many local government services, considerable elements of Pension Fund management are outsourced in order to harness the necessary expertise for what is a complex arena. The role of the Pensions Panel, and of officers, as agents of the Council is to determine a strategy, and to ensure that the strategy is properly and fully implemented. In effect, this is a procurement exercise, and as such requires skills that are needed in any procurement situation, for example:

- A clear understanding of what the Fund is aiming to achieve and a strategy for achieving it.
- Understanding the market and choices that can be made.
- Deciding what needs to be provided in-house and what should be outsourced.
- Defining and developing strong specifications for the services to be provided.
- Ensuring clear and open competition.
- Managing relationships, both with in-house providers and contractors.
- Setting rigorous performance measures, and implementing a feedback loop for reporting, evaluating and monitoring contractor performance (whether for services provided in-house or outsourced).

Pension Fund Management can be divided into two main areas:

**1. Investment Management**

As noted above, many aspects of investment management are carried out by a range of external specialist services, including:

- **Investment managers** who are responsible for managing the performance of the investment fund on a day-to-day basis. This will include making decisions on what to buy and sell and buying and selling itself, within the context of a broad investment policy laid down by the Administering Authority.
- **Investment advisers** who may assist in setting the broader policy, evaluating fund manager performance and so on.
- **Custodians** whose role is to safeguard the existence of assets and to ensure the Fund has proper title to them.
- **Actuaries** who evaluate overall fund management strategy, including the extent to which the Fund is fully funded, fund performance, assess the likely impact of future trends (e.g. Investment outlook, death rates etc) and advise on appropriate rates of employers contributions to ensure continued financial health for the scheme. They may also be asked for advice on overall fund management strategy. The Myners review suggested that this should be viewed as separate service from the actuarial contract (in much the same way that auditors shouldn't give advice that they may later be required to audit).
- **Performance measurers** who analyse fund performance, provide detailed statistical analysis of overall pension fund performance and its components, and report the results to officers and the pensions Panel.

Proper control needs to be exercised over the providers of these specialist services. The Panel should set a comprehensive policy for the Fund which should include asset allocation management, for example the Fund gearing, (proportion of higher risk investments, equities, property etc) to fixed interest stock (bonds) and broad sector divisions within the major asset classes, (in the case of equities for example, pharmaceuticals, construction, manufacturing, and geographical diversity, for example UK equities, Far East, United States). Any policy on asset allocation must be in accordance with the Local Government Pension Scheme Investment Regulations, which prescribe maximum limits for investments in any one vehicle. It should also put in place proper arrangements for setting targets for fund performance, monitoring compliance with policy and taking action when necessary if performance is not in line with the targets set. The strategy for managing the fund should also take into account the maturity of the fund; that is the proportion of pensioners to active contributors to the scheme.

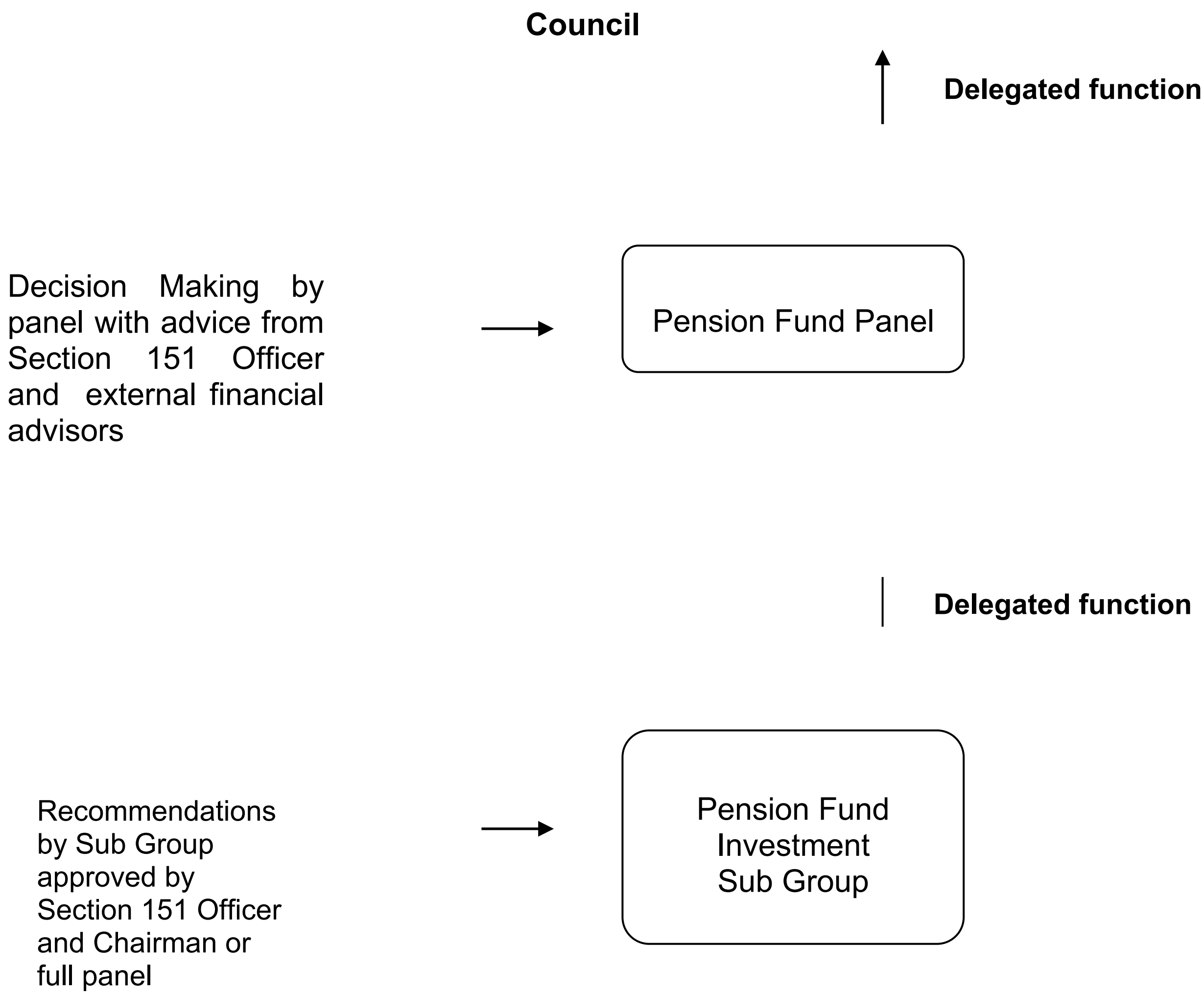
**2. Fund Administration**

Administering the Fund includes putting in place sound financial systems to ensure contributions are collected and credited to the Fund; correct levels of pensions are paid out, transfer values are correctly calculated and received/paid, queries/complaints dealt with, continued eligibility criteria are complied with etc. Considerable reliance can be put on core financial controls operated by the Authority through its main financial systems. The payroll system is closely tied in with Pension Fund administration and reliance should be placed on internal audit cover (if their cover is deemed to be adequate). (Note that this may not be applicable in respect of admitted bodies. The administering authority is likely to be heavily dependent on the quality of information submitted by them).

Monitoring by the Pensions Fund Pension panel (The Panel) is key, and appropriate performance indicators should be in place and reported to The Panel on a regular basis (for example administration costs, compliance with statutory time targets for queries and complaints). In line with any local government activity, pension funds should be exposed to rigorous review.

Appendix 1

**Pension Fund Governance: Structure Overview**



**Membership of the Pension Fund Committee**
Full voting membership of the Pension Fund Pension Fund Panel is drawn from :

- Council Members of the Administering Authority and Representative Employers within the scheme.
- Council Officers of the Administering Authority.
- Appointed Independent Advisers to the Pension Fund Pension panel.

| *Position* | *Nominated by/ filled by* | *Currently in post* |
|---|---|---|
| ***Chairman*** | ***Lead Political Group*** | ***Cllr C Lloyd*** |
| ***Vice Chairman*** | ***Lead Political Group*** | ***Cllr P Downing*** |
| ***Committee Member*** | ***Lead Political Group*** | ***Cllr M Lewis*** |
| ***Committee Member*** | ***Lead Political Group*** | ***Cllr J Curtice*** |
| ***Committee Member*** | ***Opposition Political Group*** | ***Cllr W Thomas*** |
| ***Committee Member*** | ***Opposition Political Group*** | ***Cllr G Sullivan*** |
| ***Committee Member*** | ***Neath Port Talbot CBC*** | ***Cllr Peter Rees*** |
| ***Lead Officer Member*** | ***Deputy Section 151 Officer*** | ***J Dong*** |
| ***Independent Adviser(s)/ Investment Consultants*** | ***Suitably qualified professionals*** | ***Noel Mills***<br>***Hymans Robertson*** |

***The Pension Fund Committee has responsibility for:***

- approving the Investment Strategy Statement,
- monitoring compliance with the Statement and reviewing its contents from time to time,
- approving the funding strategy statement,
- approve the ESG Policy
- approving the corporate governance arrangements of the Fund,

- to establish and keep under review policies to be applied by the Council in exercising its discretion as an administering Authority under the Local Government Pension Scheme (LGPS) Regulations 1997,
- to make recommendations to the Council from time to time on the financial implications for the Pension Fund of discretion's available to the Council as an employing authority under the LGPS Regulations 1997,
- to monitor factors likely to affect the solvency of the Pension Fund between the triennial valuations of the Fund by its independent actuary including specifically, the impact of early retirements approved by all employing bodies within the Fund,
- to determine the strategic aims for investment of the Fund and the benchmarks by which performance will be measured,
- to arrange for independent investment advice to be available to the Panel at any time,
- to determine, keep under review and, where appropriate, secure changes in the management arrangements for investment of the Pension Fund,
- to monitor on a regular basis against its objectives and benchmarks the Fund's investment performance,
- to approve attendance of the Panel or any of its Members or Officers at Regional or National meetings arranged to assist Members of Pension panels to fulfil their trustee responsibilities,
- to ensure effective communication and liaison with other employing bodies within the City & County of Swansea Pension Fund,
- to respond to consultative documents affecting the Local Government Pension Scheme.
- to consider and approve all policy in relation to Administering Authority Discretions.

## Frequency of Pension panel Meetings

The Pension Fund Pension Fund Panel shall meet quarterly throughout the year. In addition to the above the Pension Fund hosts:

- An Annual General Meeting
- Actuarial valuation consultative meetings
- Member Roadshows
- Employer Roadshows.

**Operational Procedure of Meetings**

The agenda for the quarterly meetings is determined by the Lead Officer Member of the Pension panel to incorporate timely, relevant issues/matters in relation to the Investments and Administration of the Fund.

Meeting papers for each panel meeting shall be circulated in a timely manner for consideration prior to each meeting.

Agenda items are to include:

- Regulations/Admin Update
- investment performance review
  - fund manager review
  - fund manager face to face
- report of the independent advisors to the Fund.

**Pension Fund Investment Sub Group**
It is proposed that a Pension Fund Investment Sub Group be convened consisting of :

- The two independent advisors
- One or other of the Chairman of Vice Chairman of the Pension Fund Panel
- Chief Treasury & Technical Officer

to undertake :

**Investment Management Selection/Monitoring**
To undertake investment manager selection and recommendation and to identify investment opportunities where appropriate and to undertake monitoring of the Fund Managers periodically who are not seen by the full Pension Panel and to make and submit an investment report of the same for full consideration by the Pension Fund Panel at the quarterly meetings.

**Asset Allocation**
To determine at quarterly intervals the asset allocation of cashflow surpluses and in consultation and with the approval of the Section 151 Officer and the Chairman of the Pension panel implement the same (either through physical investment of the cash or by overlay see item 7.3 and report the allocations to full Pension panel at the next quarterly meeting).

**Membership**
The membership of the Pension Fund Investment Sub Group shall comprise :

- Two independent advisors
- One Finance Officer ( Chief Treasury & Technical Officer)
- One or other of the Chairman or Vice Chairman of the Pension Fund Panel

**Responsibility**
The Pension Fund Investment Sub Group is a sub group of the Pension panel and shall report to them on a quarterly basis with responsibility for :

**Investment manager selection and performance monitoring :**
- To select and engage with fund managers and make formal recommendations to the panel and monitor performance of the fund managers.
- To identify suitable investment opportunities for the Pension Fund and make formal recommendations to the panel.

**Cashflow Allocation**
- To determine and implement the allocation of the cashflow generated by the Pension Fund with approval from the Section 151 Officer and Chairman of the Panel.

**Tactical Asset Allocation**
- To determine and implement when appropriate the tactical asset allocation of the Fund (within the overall strategy approved by the Pension panel) using the asset allocation overlay with approval from the Section 151 Officer and Chairman of the Panel.

**Appendix B**

## GOVERNANCE COMPLIANCE STATUTORY GUIDANCE

## PART I

### INTRODUCTION

1. This guidance is issued to all administering authorities in England and Wales with statutory responsibilities under the Local Government Pension Scheme Regulations 1997 (as amended) and other interested parties listed at Annex B and deals with the compliance standards against which Local Government Pension Scheme ("LGPS") panels are to measure themselves.

2. The guidance includes a combination of descriptive text explaining the rationale of each compliance principle and a description of the relevant statutory provision of the 1997 Regulations (Regulation 73A(1)(c) refers) that requires LGPS administering authorities to measure their governance arrangements against the standards set out in this statutory guidance. Where compliance does not meet the published standard, there is a requirement under Regulation 73A(1)(c) to give, in their governance compliance statement, the reasons for not complying.

3. The Secretary of State will keep the content of the guidance under review in the light of administering authorities and other interested parties' experience of applying the best practice standards. The guidance will be updated as necessary to reflect this and subsequent legislative changes.

### BACKGROUND

4. The LGPS is a common scheme throughout England and Wales, administered by 89 individual pension funds, which includes the Environment Agency. In the context of the UK public pensions sector, it is atypical in being funded with assets in excess of £100bn. Viewed in aggregate, the LGPS is the largest funded occupational pension scheme in the UK.

5. As a statutory public service scheme, the LGPS has a different legal status compared with trust based schemes in the private sector. Matters of governance in the LGPS therefore need to be considered on their own merits and with a proper regard to the legal status of the scheme. This includes how and where it fits in with the local democratic process through local government law and locally elected councillors who have the final responsibility for its stewardship and management. The LGPS is also different in the respect that unlike most private sector schemes where scheme members bear some, if not all, of the investment risk, the accrued benefits paid by local authorities are guaranteed by statute and, perhaps more importantly, are ultimately to be paid by the local authority revenue and not from the pension funds themselves. The pension funds exist to defray the costs. On this basis, it is the local authority itself, and local council tax payers, who are the final guarantors of the scheme.

6. The word "trustee" is often used in a very general sense to mean somebody who acts on behalf of other people but in pensions law it has a more specific meaning. Certain occupational pension schemes, primarily in the private sector, are established under trust law. Under a trust, named people ("trustees") hold property on behalf of other people (called beneficiaries). Trustees owe a duty of care to their beneficiaries and are required to act in their best interests, particularly in terms of their investment decisions. Although those entrusted to make statutory

decisions under the LGPS are, in many ways, required to act in the same way as trustees in terms of their duty of care, they are subject to a different legal framework and to all the normal duties and responsibilities of local authority councillors. But they are not trustees in the strict legal sense of that word.

7. Trustees are needed in the private sector to ensure better scheme security, prevent employer-led actions which could undermine a scheme's solvency and to ensure that investment decisions are not in any way imprudent. But in a statutory scheme like the LGPS, benefits are guaranteed by statute, independent of investment performance. As such, scheme members in the LGPS bear none of the investment risk. The entitlements and benefits payable to scheme members in trust based schemes are, potentially at least, more volatile and dependent ultimately on the effectiveness and stewardship of their trustees. It is because of this greater risk to security that the Pensions Act 1995 first introduced the concept of member nominated trustees to ensure that scheme beneficiaries are part of the decision making process. But even member nominated trustees must act in the interest of the fund/scheme and must not take decisions out of self-interest. The Pensions Act 2004 simply extends that status.

8. Elected councillors have legal responsibilities for the prudent and effective stewardship of LGPS funds and in more general terms, have a clear fiduciary duty in the performance of their functions. Although there is no one single model in operation throughout the 89 LGPS fund authorities in England and Wales, most funds are managed by a formal committee representing the political balance of that particular authority. Under section 101 of the Local Government Act 1972, a local authority can delegate their pension investment functions to the Council, committees, sub-committees or officers, but there are a small number of LGPS fund authorities which are not local authorities and therefore have their own, distinct arrangements.

9. It is also relevant to note that under The Local Authorities (Functions and Responsibilities) (England) Regulations 2000 (SI 2000 No 2853) and The Local Authorities Executive Arrangements (Functions and Responsibilities) (Wales) Regulations 2001 (Welsh SI 2001 No 2291), statutory decisions taken under schemes made under sections 7, 12 or 24 of the Superannuation Act 1972, are not the responsibility of the Executive arrangements introduced by the Local Government Act 2000. This means, for example, that the executive cannot make decisions in relation to discretions to be exercised under the LGPS, or make decisions relating to the investment of the Pension Fund and related matters. These functions have continued to be subject to the same legislative framework as they were before the passing of the Local Government Act 2000, including delegations under section 101 of the Local Government Act 1972. Such delegations vary from local authority to local authority depending on local circumstances. However, the Secretary of State has advised that where such decisions were delegated to committees or to officers, then those delegations should continue. (see paragraphs 5.10 and 5.11 of the Statutory Guidance to English Local Authorities – New Council Consitutions : Guidance Pack Volume 1).

10. Under section 102 of the Local Government Act 1972, it is for the appointing council to decide upon the number of members of a committee and their terms of office. They may include committee members who are not members of the appointing council and such members may be given voting rights by virtue of section 13 of the Local Government and Housing Act 1989. On this basis, it is open to pension committees to include representatives from district councils, scheme members and other lay member representatives, with or without voting rights, provided that they are eligible to be committee members (eligibility rules are set out in section 15 of the Local Government and Housing Act 1989).

**STATUTORY BACKGROUND**

11. In response to proposals issued by the former Office of the Deputy Prime Minister, the Local Government Pension Scheme Regulations 1997 were amended to require LGPS administering authorities to publish details of their governance and stewardship arrangements by 1 April 2006. The purpose of this first step was to gauge progress made in the democratisation of LGPS committees and governance arrangements in general and to assess what action, if any, should be taken to ensure that all committees operate consistently at best practice standards. On 30 June 2007, the 1997 regulations were further amended to require administering authorities to report the extent of compliance against a set of best practice principles to be published by CLG, and where an authority has chosen not to comply, to state the reasons why. The first such statement must be published by 1st March 2008.

12. The relevant provision, shown below, is regulation 73A of the Local Government Pension Scheme Regulations 1997 :

"Governance compliance statement

73A.—(1) An administering authority must prepare a written statement setting out—

(a) whether they delegate their function, or part of their function, in relation to maintaining a pension fund to a committee, a sub-committee or an officer of the authority;

(b) if they do so—

(i) the terms, structure and operational procedures of the delegation;

(ii) the frequency of any committee or sub-committee meetings;

(iii) whether such a panel or sub-committee includes representatives of employing authorities (including authorities which are not Scheme employers) or members, and, if so, whether those representatives have voting rights;

(c) the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying.

(2) An administering authority must publish the first such statement on or before 1st March 2008.

(3) An administering authority must—

(a) revise their statement following a material change in respect of any of the matters mentioned in paragraph (1); and

(b) publish the statement as revised.

(4) In preparing or revising their statement an administering authority must consult such persons as they consider appropriate.

(5) When they publish their statement, or the statement as revised, an administering authority must send a copy of it to the Secretary of State.".

This regulation will cease to have effect from 1 April 2008 when the 1997 regulations are revoked. After that date, the relevant provision will be under the regulations of the Local Government Pension Scheme (Administration) Regulations 2007.

**PURPOSE**

13. The purpose of this guidance is two fold. Firstly, Part II of the guidance provides a detailed description of each of the best practice principles against which compliance is to be measured (with each of the principles being set out in bold type) and secondly, it includes guidance on how the compliance statement in Part II should be completed.

**TERMINOLOGY**

14. Throughout this paper, the distinction is made between those committees or sub-committees that have been formally constituted under 101 of the Local Government Act 1972 ("main committees") and other committees or panels that have been established outside of that provision ("secondary committees"). Unless reference is made to "elected members", the word "member" where it appears in the text is used to denote any member of a main or secondary committee, whether elected or not.

**POSITION OF NON-LOCAL AUTHORITY ADMINISTERING AUTHORITIES**

15. Regulation 73A of the Local Government Pension Scheme Regulations 1997 and this guidance made under powers granted by Regulation 73A(1)(c) of those regulations apply equally to all LGPS administering authorities in England and Wales. It is recognised, however, that a small number of administering authorities are not constituted as local authorities and are not therefore subject to the legal framework imposed on local authorities and their committees by local government legislation. In these cases, the authorities concerned are still required to measure the extent to which they comply with the principles set out in Part II of this guidance and where they are unable to comply, for example, because of their special position, to explain this when giving reasons for being unable to comply.

**SUGGESTED READING**

16. Although not a formal part of this guidance, it is recommended that administering authorities and other stakeholders should be aware of the contents of the following documents:

a) Good Governance Standards for Public Services (Office for Public Management, Alan Langlands – January 2005)

b) Code of Corporate Governance in Local Government (CIPFA/SOLACE – 2007)

c) Institutional Investment in the UK – A Review (HM Treasury – March 2001)

d) Local Government Pension Scheme : Pension Fund Decision Making – Guidance Note (CIPFA Pensions Panel – 2006)

e) Guidance for Chief Finance Officers : Principles for Investment Decision Making in the Local Government Pension Scheme in the UK (CIPFA Pensions Panel – 2001)

**PART II - THE PRINCIPLES**

**Part II/A - Structure**

17. Elected members have legal responsibilities for the prudent and effective stewardship of LGPS pension funds and, in more general terms, have a clear fiduciary duty in the performance of their functions. Although there is no one single model in operation throughout the 89 fund authorities in England and Wales, most funds are managed by a formal panel representing the political balance of that particular authority. Under section 101 of the Local Government Act 1972, a local authority can delegate their statutory functions to the Council, panels, sub-panels or officers, but there are a small number of fund authorities which are not local authorities and therefore have their own, distinct arrangements.

18. The formal panel structures operated by individual pension fund authorities reflect local circumstances and priorities and it is not the remit of this guidance to prescribe a "one size fits all" approach. The evidence collected by Communities and Local Government in 2006 indicated that the overwhelming majority of these panels operate efficiently and effectively despite the variations in their constitution, composition and working practices. The intention is not therefore to level out these differences but instead to ensure that these different structures reflect the best practice principles described below :

a) The management of the administration of benefits and strategic management of fund assets clearly rests with the main panel established by the appointing council.

b) That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary panel established to underpin the work of the main panel.

c) That where a secondary panel or panel has been established, the structure ensures effective communication across both levels.

d) That where a secondary panel or panel has been established, at least one seat on the main panel is allocated for a member from the secondary panel or panel.

**Part II/B - Representation**

19. Under section 102 of the Local Government Act 1972, it is for the appointing council to decide upon the number of members of a panel and their terms of office. They may include panel members who are not members of the appointing council and such members may be given voting rights (see Part II/C) by virtue of section 13 of the Local Government and Housing Act 1989. On this basis, it is open to pension panels to include representatives from district councils, scheme member and other lay member representatives, with or without voting rights, provided that they are eligible to be panel members (eligibility rules are set out in section 15 of the Local Government and Housing Act 1989).

20. The number of stakeholders affected by the local management of the pension scheme and governance of pension funds is vast and it is accepted that it would be impractical to expect individual panel structures to encompass every group or sector that has an interest in the decisions that fall to be made under the scheme's regulations. The following principles are therefore intended to ensure that the composition of panels, both formal and secondary, offers all key stakeholders the opportunity to be represented. For example, deferred and pensioner scheme members clearly have an interest in the performance of pension panels but it would be impractical in many cases to expect them to have direct representation on a panel. Instead, there is no reason why a representative of active scheme members couldn't also act on behalf of deferred and pensioner scheme members. Similarly, a single seat in the panel structure

could be offered to somebody to represent the education sector as a whole, rather than having individual representatives for FE Colleges, Universities, academies, etc.

21. An independent professional observer could also be invited to participate in the governance arrangement to enhance the experience, continuity, knowledge, impartiality and performance of panels or panels. Such an appointment could improve the public perception that high standards of governance are a reality and not just an aspiration. Moreover, the independent observer would be ideally placed to carry out independent assessments of compliance against the Myners' principles, both in terms of the 2004 follow up report and the latest NAPF consultation on next steps, together with other benchmarks that the Fund authority's performance is measured against. The management of risk is a cornerstone of good governance and a further role for the independent observer would be to offer a practical approach to address and control risk, their potential effects and what should be done to mitigate them and whether the costs of doing so are proportionate.

a) That all key stakeholders are afforded the opportunity to be represented. within the main or secondary panel structure. These include :

- i) employing authorities (including non-scheme employers, eg, admitted bodies)
- ii) scheme members (including deferred and pensioner scheme members),
- iii) independent professional observers, and
- iv) expert advisors (on an ad-hoc basis).

b) That where lay members sit on a main or secondary panel, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.

**Part II/C - Selection and role of lay members**

22. It is important to emphasise that it is no part of the Fund authority's remit to administer the selection process for lay members sitting on main or secondary panels or to ensure their attendance at meetings, unless they wish to do so. Their role is to determine what sectors or groups are to be invited to sit on LGPS panels or panels and to make places available. Effective representation is a two way process involving the Fund authorities providing the opportunity and the representative bodies initiating and taking forward the selection process under the general oversight of the Fund authority.

23. Members of a main decision-making LGPS panel are in the same position as trustees in the private sector. Trustees owe a duty of care to their beneficiaries and are required to act in their best interests at all times, particularly in terms of their investment decisions. They are not there to represent their own local, political or private interest. On a main panel, the interests of the scheme and its beneficiaries must always be put before the interests of individual groups or sectors represented on the panel whereas on secondary panels or panels that are not subject to the requirements of the Local Government Act 1972, private interests can be reflected in proceedings.

a) That panel or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary panel.

**Part II/D – Voting**

24. Although the 2006 survey conducted by Communities and Local Government revealed that formal votes taken by LGPS panels were rare, it is important to set out the legal basis on which voting rights are, or may be prescribed to elected and lay members.

Elected members of the administering authority

a) All elected members sitting on LGPS panels have voting rights as a matter of course. Regulation 5(1)(d) of the Local Government (Panel and Political Groups) Regulations 1990 (SI No 1553/1990) provides that voting rights will be given to a person appointed to a sub panel of a panel established under the Superannuation Act 1972 who is a member of the authority which appointed the panel.

Elected members of authorities other than the administering authority and lay members.

b) Under sections (13)(1)(a) and (2)(a) of the Local Government and Housing Act 1989, a person who is a member of a panel appointed by an authority under the Superannuation Act 1972 but who is not a member of that authority, shall be treated as a non-voting member of that panel. However, the provisions of section 13(3) and (4) of the 1989 Act allow an administering authority discretion as to whether or not a member of a panel is treated as a voting or non-voting member.

Lay members of advisory panels, etc

c) Because they are not formally constituted panels, secondary panels or panels on which lay members sit are not subject to the restrictions imposed by the Local Government Act 1972 on voting rights. In these circumstances, there is nothing to prevent voting rights being conferred by the administering authority on all lay members sitting on panels or informal panels outside the main decision making panel.

25. The way in which an administering authority decides to exercise its discretion and confer voting rights on lay members is not a matter for which the Secretary of State, under his regulations making powers under the Superannuation Act 1972, has any remit. The issue of whether voting rights should be conferred on district council or scheme member representatives, for example, is a matter for individual administering authorities to consider and determine in the light of the appointing council's constitution. Regulation 73A(1)(b)(iii) of the 1997 Regulations already requires an administering authority to include in their statement details of the extent to which voting rights have been conferred on certain representatives, but does not extend to the need to give reasons where this is not the case.

a) The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS panels.

**Part II/E – Training/Facility time/Expenses**

26. In 2001, the Government accepted the ten investment principles recommended by Paul Myners in his report, "Institutional Investment in the UK". The first of those principles," Effective Decision Making", called for decisions to be made only by persons or organisations with the skills, information and resources necessary to take them effectively. Furthermore, where

trustees - or in the case of the LGPS, members of formal panels - take investment decisions, that they have sufficient expertise to be able to evaluate critically any advice they take.

27. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 (as amended) already requires administering authorities to report the extent of compliance with this principle. But on the wider issue of governance, it is equally important that they report on the extent to which training facilities, etc, are extended to lay members sitting on either main or secondary LGPS panels.

28. If all stakeholders represented on LGPS panels or panels are to satisfy the high standards set out in the Myners' set of investment principles, it follows that equal opportunity for training, and hence facility time, should be afforded to all lay members. They too should have access to the resources that would enable them to evaluate the expert advice commissioned by the main investment panel and to comment accordingly. But the way that is achieved at local level is not a matter for national prescription, in particular, the policy adopted by individual administering authority or local authority on the reimbursement of expenses incurred by panel or panel members. On this basis, the best practice standard which administering authorities are required to measure themselves focuses on the extent to which they have a clear and transparent policy on training, facility time and reimbursement of expenses and whether this policy differs according to the type of member, for example, elected member or scheme member representative.

a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.

b) That where such a policy exists, it applies equally to all members of panels, sub-panels, advisory panels or any other form of secondary forum.

**Part II/F – Meetings (frequency/quorum)**

29. From the evidence collected in 2006 by Communities and Local Government, it is clear that the majority of administering authorities who have introduced a multi-level panel structure operate different reporting/meeting cycles for each panel or panel. In the case of main, formal panels, these tend to meet, on average, at least quarterly, though there are a few examples where meetings are held less often. As a general rule, it is expected that main panels should meet no less than quarterly. Although it is important that any secondary panels or panels should also meet on a regular and consistent basis, it is accepted that there should be no compulsion or expectation that there should be an equal number of main and secondary panel meetings. But as a matter of best practice, it is expected that secondary meetings should be held at least bi-annually.

30. Although the overwhelming majority of administering authorities operate effective representation policies, the evidence collected in 2006 by Communities and Local Government revealed a small handful of authorities who restrict membership of their panel's to elected members only. In legal terms, this is permissible, but in terms of best practice, it falls well short of the Government's aims of improving the democratisation of LGPS panels. In those cases where stakeholders, in particular, scheme members, are not represented, it is expected that administering authorities will provide alternative means for scheme employers, scheme members, pensioner members, for example, to be involved in the decision-making process. This may take for the form of employer road-shows or AGMs where access is open to all and where questions can be addressed to members of the main panel.

a) That an administering authority's main panel or panels meet at least quarterly.

b) That an administering authority's secondary panel or panel meet at least twice a year and is synchronised with the dates when the main panel sits.

c) That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.

**Part II/G - Access**

31. The people to whom the appointing council entrust with taking investment, and other statutory decisions, is a matter for that council to consider and determine. However, it is important that others, outside that formal decision-making process but involved in some capacity in the general governance arrangement, have equal access to panel papers and other documents relied on by the main panel in taking its decisions.

32. The fact that voting rights are not conferred on individual lay members should not put them on any less footing than those members who serve on the main panel with full voting rights. Secondary panels or panels have a clear role to underpin and influence the work of the main panel and can only do so where there is equal access.

a) That subject to any rules in the councils constitution, all members of main and secondary panels or panels have equal access to panel papers, documents and advice that falls to be considered at meetings of the main panel.

**Part II/H – Scope**

33. Traditionally, LGPS panels have focussed on the management and investment of the funds under their supervision, with questions arising from the main scheme dealt with by officers with delegated authority under the council's constitution. In recent times, however, and reflecting the trend towards de-centralisation, administering authorities have become responsible for formulating a significant number of policy decisions on issues like abatement, compensation and the exercise of discretions under the scheme's regulations. These are key decisions which should be subject to the rigorous supervision and oversight of the main panel. And with the prospect of some form of cost sharing arrangement to be in place by March 2009, it is clear that there are other key scheme issues, outside the investment field, that main panels may need to address in the future. Given the not insignificant costs involved in running funds, LGPS panels and panels need to receive regular reports on their scheme administration to ensure that best practice standards are targeted and met and furthermore, to satisfy themselves and to justify to their stakeholders that the Fund is being run on an effective basis. This would involve reviewing the panel's governance arrangements and the effective use of its advisers to ensure sound decision making. Here, the use of an independent professional observer, free of conflicts of interest, would enable a wholly objective approach to be taken to the stewardship of the Fund.

34. All this points to LGPS panels perhaps becoming more multi-disciplined than they have been in the past, with a consequential impact on, for example, membership and training. For example, if decisions are to be taken by LGPS panels that could impact on the cost-sharing mechanism, it is reasonable to expect scheme member representatives to be present on those decision making panels, given that those decisions could have a direct impact on the position of scheme members under the scheme.

35. Although the future may see LGPS panels having a broader role than at present, individual administering authorities may adopt different strategies to meet these new demands. The more traditional approach might be to extend the scope of existing investment panels to include general scheme and other administrative issues. But already, there is evidence to suggest that some administering authorities have opted instead to establish new sub panels to deal solely with non-investment, scheme issues. The purpose of this guidance is not to prescribe the way in which administering authorities develop and adapt to scheme developments. Instead, the intention is to increase the awareness that administering authorities and their panels must be flexible and willing to change to reflect scheme changes and wider pensions issues.

a) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.

**Part II/I – Publicity**

36. A key component in improving the democratisation of LGPS governance arrangements is to increase the awareness that opportunities exist for scheme member representatives and LGPS employers, for example, to become part of these arrangements. But the onus for increasing awareness should not rest entirely with the administering authority. It is just as much the role of scheme member representatives and scheme employers to keep abreast of developments in this field and to play an active part in the selection and appointment of panel or panel members. This is best left to local choice and discretion. However, administering authorities are reminded that under Regulation 76B(1)(e) of the 1997 Regulations, the latest version of their Governance Compliance Statement must be included in their Pension Fund Annual Report.

a) That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.

**Appendix C**

**<u>Compliance Statement of the City & County of Swansea Pension Fund</u>**

**<u>Principle A – Structure</u>**

| | **Not Compliant*** | | | **Fully Compliant** | |
|---|---|---|---|---|---|
| **a)** | | | | | ✓ |
| **b)** | | | | ✓ | |
| **c)** | | | | | **N/A** |
| **d)** | | | | | **N/A** |

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

**b)** A representative from a non admin authority employer has full-voting representation on the main panel

**<u>Principle B – Representation</u>**

| | **Not Compliant*** | | | **Fully Compliant** | |
|---|---|---|---|---|---|
| **a i)** | | | | | ✓ |
| **a ii)** | ✓ | | | | |
| **a iii)** | | | | | ✓ |
| **a iv)** | | | | | ✓ |
| **b)** | | | | | ✓ |
| | | | | | |

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

**a ii)** It has been the held opinion that employers within the scheme bear the investment/contribution risk, with scheme members' contributions being guaranteed and quantified by statute therefore negating the necessity of any member representation on a panel which primarily dealt with investment issues. This approach shall be reviewed in light of proposals re. scheme members sharing the risk in proposals due in 2013.

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

**a i)** A representative from a non admin authority employer has full-voting representation on the main panel.

**Principle C – Selection And Role of Lay Members**

| | **Not Compliant*** | | | | **Fully Compliant** |
|---|---|---|---|---|---|
| **a)** | | | | | ✓ |
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* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

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|---|
| Please use this space if you wish to add anything to explain or expand on the ratings given above :- |

**Principle D – Voting**

| | Not Compliant* | | | | Fully Compliant |
|---|---|---|---|---|---|
| a) | | | | | ✓ |
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|---|
| * Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations) |

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|---|
| Please use this space if you wish to add anything to explain or expand on the ratings given above :- |

**Principle E – Training/Facility Time/Expenses**

| | Not Compliant* | | | | Fully Compliant |
|---|---|---|---|---|---|
| a) | | | | | ✓ |
| b) | | | | | ✓ |
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|---|
| * Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations) |

| |
|---|
| Please use this space if you wish to add anything to explain or expand on the ratings |

given above :-

**a) b)** Identifying and providing trustee training is a collaborative process between members of the panel and scheme officers to determine the appropriateness of the same. All appropriate costs/ expenses are approved by the Chief Treasury & Technical Officer and/or the Head of Financial Services within the identified Investment/Admin expenses budget.

**Principle F – Meetings (frequency/quorum)**

| | Not Compliant* | | | | Fully Compliant |
|---|---|---|---|---|---|
| **a)** | | | | | ✓ |
| **b)** | | | | | **NA** |
| **c)** | | | | | ✓ |
| | | | | | |
| | | | | | |
| | | | | | |

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

**c)** These include an Annual General Meeting and scheme member /scheme employer roadshows.

**Principle G – Access**

| | Not Compliant* | | | | Fully Compliant |
|---|---|---|---|---|---|
| **a)** | | | | | ✓ |
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| * Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations) |

| |
|---|
| Please use this space if you wish to add anything to explain or expand on the ratings given above :- |

**Principle H – Scope**

| | Not Compliant* | | | | Fully Compliant |
|---|---|---|---|---|---|
| **a)** | | | | | ✓ |
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|---|
| * Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations) |

| |
|---|
| Please use this space if you wish to add anything to explain or expand on the ratings given above :-<br><br>**a)** The main panel has always considered within its remit all associated Pension Fund matters. |

**Principle I – Publicity**

| | **Not Compliant*** | | | | **Fully Compliant** |
|---|---|---|---|---|---|
| **a)** | | | | | ✓ |
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|---|
| * Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations) |

| |
|---|
| Please use this space if you wish to add anything to explain or expand on the ratings given above :- |

**Appendix 10**

## Communications Policy Statement

### Introduction

The City and County of Swansea Pension Fund endeavours to provide a high quality and consistent service to our customers in the most efficient and effective manner possible, particularly in an ever-changing pensions environment.

There are 5 distinct groups with whom the fund needs to communicate.

1. Scheme Members
2. Prospective Scheme Members
3. Scheme Employers
4. Other Bodies
5. Fund Staff

The City and County of Swansea Pension Fund aims to use the most appropriate communication method for the audiences receiving the information. This may involve using more than one method of communication as considered appropriate. All print and electronic communications are designed with consideration for those with additional needs. A phone contact number (01792 636655) is available for anyone having trouble in understanding any of the Fund's documents.

The Policy document has been prepared, as required, by Regulation 106B of the Local Government Pension Scheme Regulations 1997 and sets out the mechanisms, which are used to meet those communication needs and is subject to periodic review.

## SCHEME MEMBERS

Scheme members include current contributors, those with a deferred benefit and those receiving a pension.

**The Fund aims to communicate with members electronically where an email address has been provided or through the My Pension Online portal. Members who wish to opt out of electronic communication can do so in writing at any time and will receive hardcopy correspondence by post.**

### Annual Report and Accounts

A copy of the Fund's Annual Report and Accounts is available to all scheme members on request and can be accessed on our website.

### Newsletter

To satisfy disclosure requirements the Fund will issue a newsletter to active and deferred Scheme members of the fund on an ad hoc basis, which will cover current pension topics within the LGPS and pensions industry in general.

An annual newsletter is sent to all pensioners, which includes information on the annual pensions increase, the payment dates of the monthly pension for the forthcoming year and other matters of interest.

### Annual Benefit Statements

An Annual Benefit Statement, showing the current and prospective value of members' final salary and Career Average Re-Valued Earnings (CARE) benefits will be available online via the Member self-service facility. If a member has elected to 'opt out' from receiving e-coms notifications a hardcopy of the Annual Benefit Statement will be sent directly (this will be to the address held for the member as at time of print) to all members who are contributing to the Fund at the previous financial year end.

For members who have a deferred benefit with the Fund, the annual benefit statements providing the up-rated value of benefits, will be available to view online via the member self-service facility. If the member has elected to 'opt out' from receiving e-coms notifications a hardcopy annual benefit statement will be sent directly to the home address where a current address is known.

**Pension Savings Statements**

Provides members with a summary of their pension savings and must be provided by 6 October each year to those members who have breached the annual allowance limit or are close to breaching.

**Scheme Literature**

An extensive range of Scheme literature is produced by the Fund including an employee's guide to the LGPS, which is signposted to all active members upon commencement and to other active members upon request. The guide(s) are updated annually to reflect any changes to the Scheme Regulations and is available on our website.

Further literature concerning specific provisions within the LGPS and is available online at www.swanseapensionfund.org.uk, upon request or as appropriate when communicating with members. A list of current communication material is listed in Appendix 1.

**Correspondence**

The Fund utilises surface mail, e-mail, and our member self-service portal to receive and send communications. Correspondence is available in an individual's preferred language.

**Payment Advice/P60**

Pensioners will only be issued with a payment advice slip from the Pension Payroll Section if there is a £10.00 net pay variance from the previous month. P60 notifications, which provide a breakdown of the annual amounts paid, are available annually in May.

**Employee Surgeries/Presentations**

Upon request, surgeries are available for individual Scheme members or groups along with standard or tailored presentations to be held at employer venues. Member roadshows confirming regulatory changes will be arranged by the Fund in association with the member's employer.

**Pre-Retirement Courses**

Pre-retirement courses are scheduled by the member's employer however upon request the Pension Fund Communication Officer is available to attend to address any questions that a member(s) who is nearing retirement might have regarding the procedures and entitlements.

**Existence Validation – Life Certificate Exercise**

In conjunction with the DWP the Fund engages in an on-going National Fraud Initiative exercise based on risk assessment to establish the continued existence of pensioners in receipt of monthly pension payments.

Upon return of a BACS pension payment or notification of a death of a pensioner member by a third party, a life certificate will be issued to the members last known address.

**Overseas Pensioners**

The Fund engages with a third party who specialises in oversees money transfers to undertake an annual continued eligibility exercise to ensure the qualification of continued pension payments to pensioners living overseas.

**Website**

Extensive information about the LGPS along with Scheme literature, policies and forms are available to download from the City and County of Swansea Pension Fund website (www.swansea.pensionfund.org.uk) for all stakeholders. The website is a prime source of information on the pension scheme, including electronic copies of Scheme literature and policies to ensure timely, up-to-date, and easy to access information.

The Member Self Service link is available on the website and members are encouraged to sign-up. Benefit Statements and other correspondence are available through this secure online portal.

**General Communications**

A published telephone number along with general email addresses and full postal address is listed on all correspondence issued.

A national member website, offering additional information is available at https://lgpsmember.org/

## PROSPECTIVE SCHEME MEMBERS

### Scheme Leaflet

In accordance with the Disclosure Regulations, prospective Scheme members are signposted to a Short Scheme Guide. The information contained provides an overview of LGPS benefits from day one of membership.

### Promotional Leaflet

The Fund has a promotional leaflet 'The Local Government Pension Scheme – Saving for Retirement'. The leaflet is included with joiner packs issued by the employer when the employee commences employment. The leaflet provides information to non-members of the benefits of being a member of the scheme.

### Corporate Induction Courses

Corporate Induction Courses are available to employees on-line; any LGPS queries that a member might have can be presented either by emailing pensions@swansea.gov.uk or phoning 01792 636655. A response will follow in due course.

### Trade Unions

The Fund will work with the relevant Trade Unions to ensure all interested parties understand the Scheme. Training days for branch officers will be provided upon request, and efforts will be made to ensure that all pension related issues are communicated effectively with the Trade Unions.

### Website

The Fund's website will contain a specific section for prospective joiners or optants out, highlighting the benefits of planning for retirement and what the Scheme provides to allow the member to make an informed choice.

## SCHEME EMPLOYERS

The Fund communicates with its participating employers in several ways to help them meet their responsibilities as Scheme employers.

### Annual Report and Accounts

The audited accounts of the City and County of Swansea Pension Fund are prepared as of 31 March each year and a copy is distributed to each participating employer.

### Employer Meetings

The Fund will hold an annual consultative meeting to discuss the Funds' Annual Report and Accounts. The meeting will also be used to communicate major strategic issues and significant legislation changes as well as triennial valuation matters.

Actuarial Valuation meetings follow the undertaking of the triennial valuation and issue of the report to understand their individual funding position.

Periodic meetings will be held to discuss specific issues as they arise.

### Pension Administration Strategy

A Pension Administration Strategy has been published, in accordance with the Scheme Regulations, to define the responsibilities of both the Fund and all Scheme employers in the administration of the Scheme.

The Strategy sets out the level of performance expected from the City and County of Swansea Pension Fund and all employers, as well as the consequence of not meeting statutory deadlines.

### Employer's guide

An Employer's Guide has been issued to assist the employers in discharging their pension administration responsibilities. This is supported by the dedicated Training & Communication Officer, who will provide assistance in administrative matters whenever necessary.

### Updates

Regulatory and administrative updates are frequently issued to all employers via email.

## Training

Bespoke sessions can be delivered on request, by the dedicated Training & Communication Officer to resolve any administrative issues identified by the employer. The fund will provide refresher training on topics as required.

## Website

The Fund Website has a dedicated employer area to provide employers with the guidance needed to effectively discharge their administrative responsibilities and includes updates as well as forms and notes of guidance, which can be downloaded.

## OTHER BODIES

### All Wales Pensions Officer's Group

Pensions Officers from all the Welsh administering authorities meet regularly to share information and ensure uniform interpretation of the LGPS and other prevailing regulations.

### Wales Pension Partnership Group

The Fund works continuously to collaborate with other Welsh Pension Funds to evaluate specific partnership arrangements, particularly within the All Wales Pension Funds Communication Working Group**.**

### Trade Unions

Trade Unions in Southwest Wales are valuable ambassadors for the Pension Scheme. They ensure that details of the Local Government Pension Scheme's availability are brought to their members' attention and assist in negotiation under TUPE transfers to ensure, whenever possible, continued access to the Local Government Pension Scheme.

### Seminars/Webinars

Fund Officers regularly participate at seminars and conferences held by LGPS related bodies.

### National Information Forum

These meetings, which are attended by representatives from the Department for Levelling Up, Housing and Communities (DLUHC) and the Local Government Pensions Committee (LGPC), provide an opportunity to discuss issues of common interest and share best practice.

### Pension Fund Committee

The Pension Fund Committee is notified of any changes in legislation, practices within the Section and investment issues as and when these occur. Meetings take place on a quarterly basis.

## FUND STAFF

There is a responsibility on all staff to ensure effective communication at all levels across the service.

### Induction

All new members of staff undergo an induction programme. A periodic appraisal programme is also exercised to review and monitor employee performance and development.

### Training and Support

The Fund seeks to continually improve the capacity of staff to communicate effectively and to understand the importance of high-quality communication.

Both general and pension specific training is provided in-house, by the dedicated Training and Communications Officer and by specialists, where applicable, as part of the Fund's commitment to continual improvement as well as encouraged to obtain the professional qualification of pension administration and management.

### Fund Meetings

Section and Team meetings are held on a regular basis. Items arising from such meetings are escalated through to Senior Managers and Chief Officers. Due to the change to home working staff meetings will be held via Microsoft Teams.

### Internet

The Staff are enabled to use the corporate network to access the internet and e-mail facility and communicate with each other and other departments through Microsoft Teams.

### E-mails

Staff can be contacted via their personal Swansea Council email address or via the Fund's central mailbox pensions@swansea.gov.uk

### The Local Government Pension Committee

National Website: www.lgps.org.uk

Whilst the website is intended primarily as a means of external communication, access is helpful to staff.

**Seminars/Webinars**

Fund Officers regularly attend seminars and conferences held by associated bodies to obtain regulatory information and to further their knowledge and understanding.

This information is later cascaded to all staff so that service delivery is improved.

## Data Protection

To protect any personal information held on computer, the City and County of Swansea Pension Fund, as administered by Swansea Council (the Administering Authority), has adhered to the data protection principles in accord with the Data Protection Act 1998

The Data Protection Act (DPA) came into effect on 25 May 2018 and was amended on 01 January 2021 by regulations under the European Union (Withdrawal) Act 2018. The Updated Act reflects the UK's status outside of the EU and sits alongside and supplements the UK GDPR. The Act makes provision about the processing of member data personal data, with the key aim of giving greater protection and rights to individuals. Please refer to the City and County of Swansea Pension Fund website www.swanseapensionfund.org.uk to view the Funds Privacy Notice. The notice is designed to give you information about the data we hold about you, how we use it, your rights in relation to it and the safeguards that are in place to protect it.

Staff members receive online training in Data Protection every two years.

## Freedom of Information Act 2000

The City and County of Swansea Pension Fund complies with the above Act and subsequent policy adopted by Swansea Council and provides public access to information held by the Fund.

## National Fraud Initiative (NFI)

This authority is under a duty to protect the public funds it administers, and to this end may use information for the prevention and detection of fraud. It may also share this information with other bodies administering public funds solely for these purposes.

## General

While this Policy Statement outlines the communication approaches adopted by the City and County of Swansea Pension Fund, there are roles and responsibilities, which fall on Scheme members and participating Scheme Employers in ensuring that information necessary to maintain an accurate membership base is provided in a timely manner.

## Policy Review

This statement will be revised if there is any material change in the City and County of Swansea Pension Fund's Communication Policy but will be reviewed no less frequently than an annual basis.

**LGPS National Insurance Database**

The City and County of Swansea Pension Fund participates in the LGPS National Insurance (NI) Database ('the database'). The database has been developed in order that LGPS Administering Authorities can share data to prevent the duplicate payment of death grants. This follows changes to Scheme Regulations by virtue of which a deceased member with multiple periods of LGPS membership will in most cases only have one death grant payable.

**Fund Publications - publication frequency & review periods**

| Communication Material | When Published | When Reviewed |
|---|---|---|
| Scheme Booklet | Constantly Available | annually |
| New Starter Pack | Constantly Available | As Required |
| Factsheets (various) | Constantly Available | As Required |
| Retirement Guide | Constantly Available | As Required |
| Newsletter | As required | As Required |
| Pension Newsletter | Annually | Annually |
| Annual Benefit Statement | Annually | Annually |
| Employer's Guide | Constantly Available | Annually |
| Pension Administration Strategy | Constantly Available | Annually |
| Customer Charter | Constantly Available | Annually |
| Annual Report & Accounts | Annually | Annually |
| Valuation Report | Tri-Annually | Tri-Annually |
| Funding Strategy Statement | Tri-Annually | As Required |

**Key Risks**

The key risks to the delivery of this Strategy are outlined below. Fund officers will work with the Pensions Committee and Pension Board in monitoring these and other key risks and consider how to respond to them.

- Significant external factors, such as national change, impacting on workload.
- Lack or reduction of skilled resources due to difficulty retaining and recruiting staff members.
- Inadequate performance of software against service standards

- Increase in the number of employing bodies causes strain on day-to-day delivery.
- Incorrect calculation of members' benefits, resulting in inaccurate costs
- Employer's failure to provide accurate and timely information resulting in incomplete and inaccurate records. This leads to incorrect valuation results and incorrect benefit payment.
- Issues in production of annual benefits statements, e.g., wrong address and printing errors due to external supplier
- Failure to administer the scheme in line with regulations. This may relate to delays in enhancement to software or regulation guidance.
- Failure to maintain records adequately resulting in inaccurate data.
- Unable to deliver an efficient service to pension members due to system unavailability or failure.

**Feedback**

The fund welcomes comments and feedback form scheme members, scheme employers, prospective members, and other interested parties.

The fund surveys members and employers annually and publishes results of the survey in the Annual Report. Comments provided are considered and changes are made where feasible.

**Consultation**

The fund consults with stakeholders where new policies or changes to policies are required.

**Appendix 11**

## Economic and Social Governance Policy - City and Council of Swansea Pension Fund

### Introduction

The Committee recognise that environmental, social and corporate governance ('ESG') issues can influence the Fund's long-term returns and reputation. Given this, the Committee aims to be aware of, and monitor, financially material ESG factors.

The day to day management of the Fund is delegated to professional investment managers. Regular meetings are held with the Fund's managers where they are expected to provide a summary of actions that they have taken, or are taking, to consider ESG factors on a day to day basis.

In line with investment regulations, and to guide them in the strategic management of the Fund's assets, the Committee has adopted an Investment Strategy Statement ('ISS').

The Committee commits to an ongoing development of its ESG policy to ensure it reflects latest industry developments and regulations. The Committee together with their investment consultant will review the ESG policy annually at the same time as reviewing their ISS.

The Committee has agreed a series of beliefs which have been incorporated into their ISS. These beliefs strengthen their position in regard to considering ESG factors and provide a framework for their engagement through their Fund managers.

In the appendix of this document we discuss the results of the Fund's 2017 "carbon foot-printing" exercise, which informed some of the considerations included within this policy.

**Statement of Responsible Investment**

The Committee considers the Fund's approach to responsible investment in two key areas:

1 **Sustainable investment / ESG factors** – considering the financial impact of environmental, social and governance ("ESG") factors on its investments.

2 **Effective Stewardship** – acting as responsible and active investors, through considered voting of shares, and engaging with investee company management as part of the investment process.

The following principles set out the Fund's approach:

- The Committee recognises that their duty is to act in the best financial interests of the Fund's beneficiaries. The Committee believes that ESG issues can have a material financial impact on the long term performance of its investments and consideration of such factors is a part of their fiduciary duty.
- The Committee has a number of ESG related beliefs which are integrated into the Fund's overall belief statement. The Committee recognises that successful engagement can protect and enhance the long-term value of the Fund's investments. This engagement can apply across a range of assets.
- The Committee endorses the principles embedded in the UK Stewardship Code.
- The Committee encourages engagement by their investment managers with investee companies on ESG factors to positively influence company behaviour and enhance the value of the holdings. In addition, the Fund expects its investment managers to work collaboratively with others if this will lead to greater influence and deliver improved outcomes for shareholders and more broadly.
- Investment managers are expected to take account of ESG factors as part of their investment analysis and decision-making process. Further, ESG issues will be an explicit factor in considering the appointment of any new investment manager, mandate and benchmark.
- Investment managers are expected to incorporate reporting on ESG factors into their regular reporting. This includes information on voting and engagement, in addition to details on how the investment managers assess and manage ESG factors in relation to their respective mandates. The Committee encourages their investment managers to develop their reporting and monitoring of ESG factors over time.
- The Committee believes that they will have greater influence on the future direction of companies if they remain invested. Overall engagement activities are viewed by the Committee as a key element of the broader approach to responsible investing. Remaining invested provides the Fund with a voice on how

companies are generating their revenues and how they will change in the future. The Committee view divestment as being the ultimate sanction.

- The Committee intends to make use of collaboration with other funds to pursue their engagement policy. To help with this, the Fund is a member of the Local Authority Pension Fund Forum ("LAPFF"), one of the UK's leading collaborative shareholder engagement group.
- The Committee seeks greater transparency of the ESG relative aspects associated with their underlying investments. This includes the extent of the Fund's equity investments' carbon exposure and the Fund's exposure to stocks that may gain from a change in industry carbon policy.
- The Committee has made a commitment to reduce the Fund's listed equity portfolio's carbon exposure, as part of this, it has set a target of the Fund's equities being 50% lower when compared to the global stockmarket by 2022 (MSCI AC World index, measured in terms of carbon emissions per $m invested).
- The Committee may consider portfolio 'tilts' in line with ESG or responsible investment objectives.
- Training and education is likely to form a key element in developing the Fund and its Committee position on ESG related matters.

**Voting policy**

The Committee and the Officers work closely with the Fund's investment managers to support good corporate behaviour.

The managers are required to exercise their voting rights on behalf of the Fund when it is in the best interests of the Fund. Voting will be in accordance with the managers' corporate governance policies. The Committee also retains the right to instruct managers at any time to vote according to the Committee's wishes on a particular resolution (acknowledging that there may be limitations as to how this would work for pooled investments).

The Committee review their managers' voting guidelines on a regular basis (at least biannual) to determine their appropriateness for the Fund.

All managers are expected to report their voting records on a quarterly basis. The Committee is committed to disclose voting records to the Fund's membership on an annual basis through the Fund's website.

In making any future manager appointments, the Committee will assess the managers' voting policy as part of the due diligence process and will instruct the appointed manager accordingly. The Committee will also liaise closely with the Wales Pool Operator to ensure that they also adopt this approach.

## Engagement policy

The Committee believe that engagement is a positive activity and encourage the Fund's investment managers to engage where they believe that value can be added or risk can be reduced.

The Committee believes that all engagements should have well-defined objectives. The Fund's investment managers are to report on the objectives of any engagement activity, along with the consequent success or failure of any actions taken on, at least, an annual basis. The Committee will publish a summary of engagement activity undertaken by their managers on an annual basis. The Committee will also publish other collaborative activity carried out over the year e.g. as part of the membership with LAPFF.

The Committee supports engagement activity that seeks to achieve:

- Greater disclosure of information on the ESG related risks that could affect the value of an investment;
- Transparency of an investments' carbon exposure and how such companies are preparing for the transition to a low carbon economy.[1]

The Committee encourage their investment managers to actively participate in collaborative engagements with other investors where this is deemed to be in the best interests of the Fund. Managers are to report on their collaborations on an annual basis.

The Committees' investment consultant is required to provide input and analysis to assist the Committee in assessing the Fund's investment managers' performance from an ESG engagement perspective. This includes working closely with the Officers to develop the appropriate training arrangements.

The Committee liaise closely with the Wales Pool Operator to ensure that they also adopt the approaches set in this policy. The Fund's investment managers are encouraged to sign up to the appropriate industry initiatives, including the UK Stewardship Code, LGPS Cost Transparency and the Principles of Responsible Investment. The Fund is not currently signed up to the UK Stewardship Code or the PRI but is investigating the possibility.

**Appendix 1: Carbon exposure – 2017 review**
*Paper issued by Hymans Robertson in March 2018*

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[1] As stated, the Committee has a desire to reduce the Fund's listed equity portfolio's carbon exposure and, as part of this, it has set a target of the Fund's equities being 50% lower when compared to the global stockmarket by 2022 (MSCI AC World index, measured in terms of carbon emissions per $m invested). The Committee will aim to carry out a carbon foot-printing exercise of their equities at least on a triennial basis. The first of these reviews took place in 2017 (the results are discussed in the appendix to this paper).

## Background

### Environmental Social and Governance ("ESG")

The Committee has taken a number of steps to understand the impact of ESG issues on the Fund. In November 2017, Hymans Robertson delivered a detailed training session covering responsible investing, ESG and climate change. Hermes Equity Ownership Service also delivered a presentation highlighting examples of the positive change they had delivered through engaging with companies' management and placing shareholder votes on their clients' behalf. The Committee and Board considered their "investment beliefs" in the context of ESG matters and the results have recently been used to develop the ESG policy outlined in this paper

### Carbon

As part of the Fund's ESG focus, the Committee commissioned MSCI to undertake an analysis of the portfolio's carbon exposure. MSCI has information on each global stocks' carbon related exposure (or is in a position to make an assumption[2]). Using this information, MSCI is able to compare the carbon exposure of the Fund's holdings with a range of reference benchmarks.

MSCI was provided with the individual holdings data from each of the Fund's equity managers (ex-Aberdeen's' frontier markets mandate due to lack of comparable industry benchmark data) and with specific details on each of the mandates in terms of their benchmarks and allocations[3]. MSCI then compared the portfolio versus the broad global market capitalisation index (e.g. the MSCI ACWI as a proxy for the global stockmarket) and versus a low carbon version of the global index (this index has the same performance objective of the broad market capitalisation index, but has a general aim of being overweight to companies with low emissions relative to sales and low potential emissions).

In the remainder of this paper, we consider the results from this analysis and set out potential next steps for the Fund.

### Output of the analysis

### Overview

The analysis focuses on the Fund's equity exposure at 31 March 2017. This date was shown as it ties in with Fund's year end.

The main objective was to get an understanding of the Fund's carbon exposure. However, it also created an opportunity to consider the positions being taken by the Fund's active managers, relative to their benchmark. The Fund's passive manager's exposure will be broadly in line with the underlying benchmark. However, the analysis

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[2] Further details on the assumptions made are included in MSCI's reports.

[3] To tie in with MSCI's benchmark range a number of pragmatic compromises were made, including comparing the Aberdeen and JP Morgan portfolios versus the global index, rather than a global ex UK index and Schroders' UK mandate versus a European benchmark. These compromises will impact the relative position of the results, but they should have no impact on the absolute results, not the key themes coming out the analysis. The date was based on the Fund's holdings at 31 March 2017.

gives the opportunity to compare the carbon exposure of the standard global benchmark versus its low carbon equivalent.

The analysis also includes some information regarding the Fund's exposure to clean technology, which are expected to benefit from any move towards a more low carbon economy.

**Key carbon metrics**

The key metrics can be defined as:

- **Carbon emissions** - the carbon emission (tonnes of $CO_2$) per $million invested. *Sum of (($investment in issuer/issuers' market cap) * issuer's emissions)* – results shown as per $m invested
- **Carbon intensity** – a measure of a portfolio's carbon efficiency and is defined as the total carbon emissions of the portfolio as a proportion of portfolio sales. This is a useful metric in allowing the comparison of emissions across companies of different sizes and industries. *Sum of issuers' carbon emissions/ Sum of issuers'* $m sales
- **Weighted average carbon intensity** – the sum product of the constituent weights and carbon intensity. *Sum of portfolio weights*carbon intensity*

Each of these metrics have merit. For the purpose of this paper, we define carbon emissions as the "carbon footprint", but the other metrics could also have been defined in this way.

**Results**

**Carbon focused**

Overall, the results are encouraging. As shown in chart 1, the Fund's total equity holdings had a carbon footprint 9% lower than the MSCI ACWI and the weighted average carbon intensity is 16% lower. However, Chart 1, also highlights that the MSCI Low Carbon benchmark has an 80% smaller carbon footprint than the MSCI ACWI index highlighting that the choice of the underlying benchmark can have a significant impact on investors' carbon emissions.

Chart 1: Carbon emission metrics

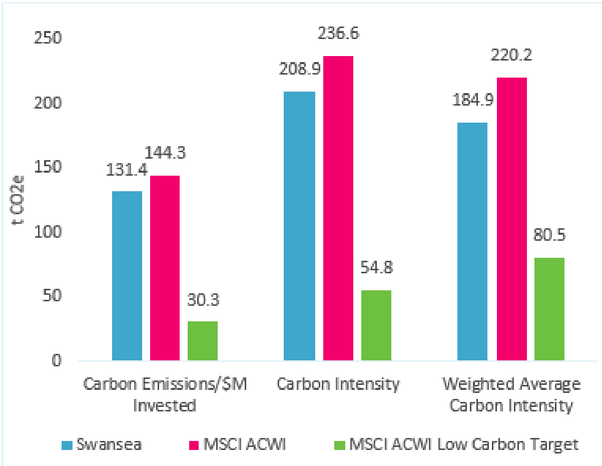
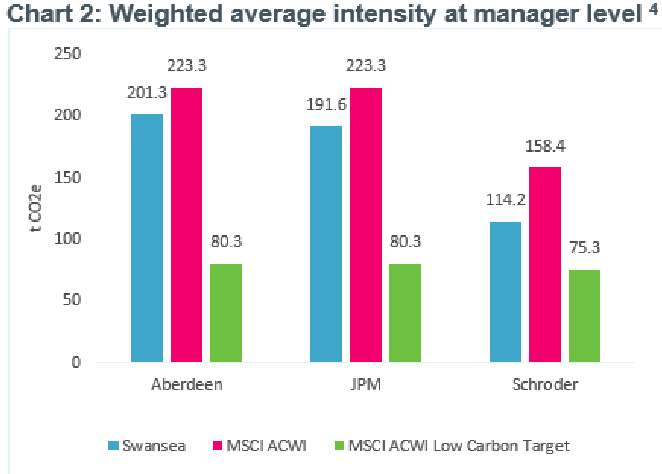



Chart 2: Weighted average intensity at manager level [4]




Details of each of the Fund's active managers' weighted average are shown in Chart 2. Each manager has delivered a portfolio with a lower position than their respective market capitalisation benchmark. Interestingly, although the Fund's two global managers (Aberdeen and JP Morgan) have similar weighted average exposure, there were notable differences in the carbon emissions (with JP Morgan notable higher due (c80% higher) to a number of their underlying Materials holdings, including Posco and Alco Corporation). Aberdeen's weighted average results were negatively impacted by the manager's Real Estate exposure (most notably Swire Pacific) and Materials exposure, including Praxair and Potash Corp.

Schroder's carbon footprint is lower than the benchmark index, albeit the holdings in Royal Dutch Shell and Carnival were notable contributors to the mandate's carbon intensity.

Considering the analysis at a sector level, the Fund's exposure to the materials, energy and utilities sectors contribute to the majority of the Fund's carbon footprint. Together, these sectors contribute to 75% of the Fund's carbon emissions despite only comprising 16% of the Fund's equity portfolio. This is illustrated in Charts 3 and 4 below.

**Chart 3: Market value by sector**

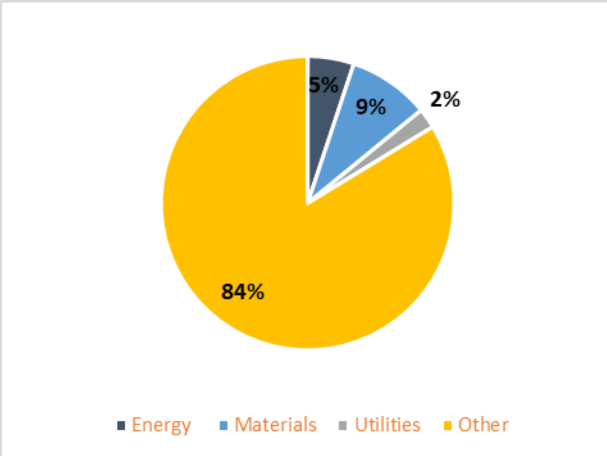
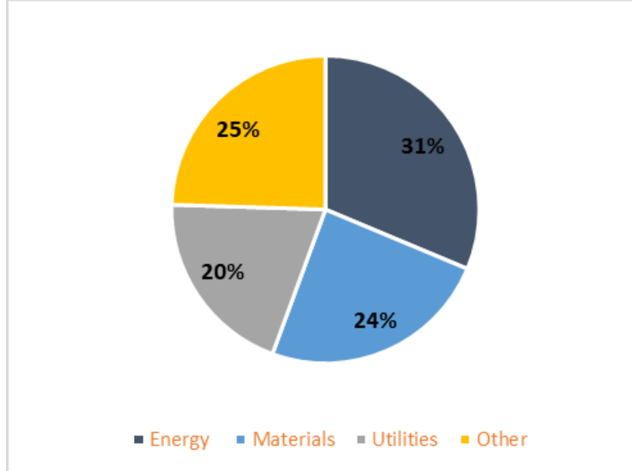



**Chart 4: Contribution to carbon emissions**




In such exercises, the energy, materials and utilities sectors are typically those with the highest carbon intensity although a company is not "bad" simply because it happens to operate within a carbon intensive sector. It is important to recognise that some sub-sectors will have very low carbon intensity. For example the utilities sector includes both water companies (low carbon intensity) and electricity companies (high carbon intensity).

**Scope 1 and Scope 2**

Carbon emissions are typically shown in three main "scopes"

- Scope 1: Direct "emissions from sources owned or controlled by the organisation"
- Scope 2: Indirect "emissions from the consumption of purchased electricity, steam or other energy generated upstream"
- Scope 3: Other indirect e.g. employee commuting.

To date, the majority of the industry focus is on Scopes 1 and 2 (as was the results of MSCI's analysis). The Fund's exposure is c 80% from Scope 1, which is slightly less than the MSCI ACWI, which is 84%. Only 58% of the MSCI ACWI Low carbon index comes from Scope 1. This notable change in the benchmark splits between scopes 1 and 2 reflects some of the main sector differences between the two benchmarks.

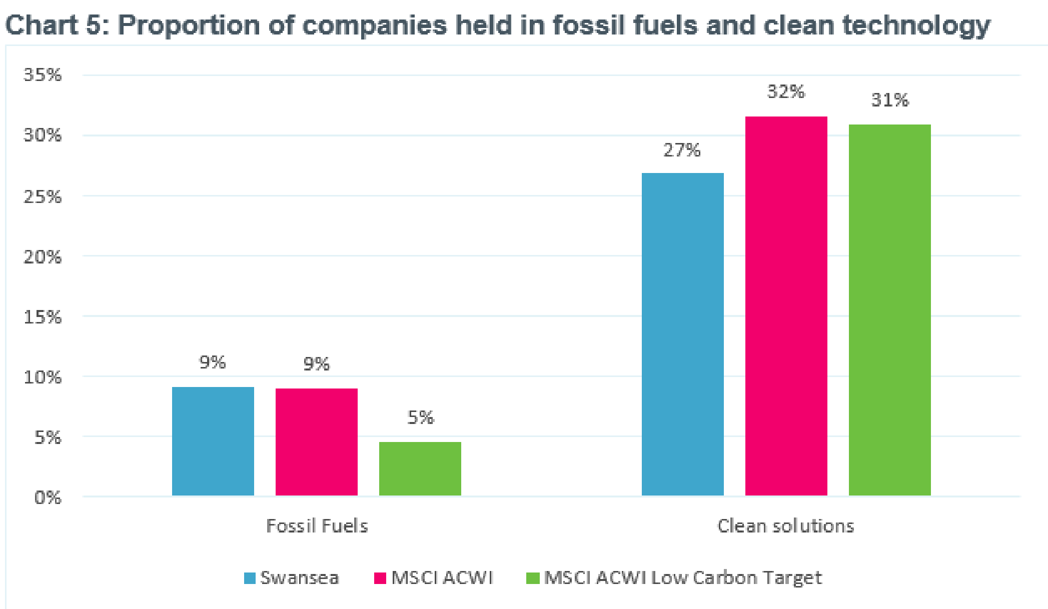
**Carbon risk management relative to industry**

MSCI also included their views on companies' position relative to their industry in dealing with managing carbon risk (MSCI rates companies as Leaders, Average or Laggards). In terms of the top ten contributors to each active managers' weighted carbon intensity:

- Two of Aberdeen's Materials holdings (Maple Leaf and Tenaris) are viewed as being a laggards. We recommend that you follow up on these holdings with the manager.
- None of JP Morgan's or Schroders were viewed as laggards.

**Thermal coal, oil and gas reserves**
MSCI also considered the proportion of the portfolio which is made up by companies that own thermal coal, oil and gas reserves, three areas that are thought to be most at risk of being "stranded" assets. Chart 5 (left hand side) below shows that the Fund's portfolio is 0.2% overweight, relative to the MSCI ACWI, in companies that own Fossil Fuel Reserves. The key contributors to this are the Fund's holdings in Shell, BP, Lukoil and Rosneft (JP Morgan are notable investors in the latter two stocks).

**Chart 5: Proportion of companies held in fossil fuels and clean technology**




**Clean technology**
In terms of focusing on stocks that may benefit from a change in industry carbon policy, chart 5 (right hand side) also analyses companies involved in "clean technology" solutions based on their sales in the following categories: Alternative Energy, Energy Efficiency, Green Building, Pollution Prevention, and Sustainable Water. Relative to the global index, the Fund has less exposure to stocks that generate revenue from these categories (of the Fund's 27% exposure, the majority is in stocks with 0-20% of their revenue is from these categories).

**Summary and next steps**

The information from MSCI acts as a useful guide to the Fund’s carbon exposure. There are a number of potential next steps for the Committee to consider, which should be considered alongside the Fund’s engagement policy and investment beliefs, in particular:

**Agree objectives**

By carrying out this process, the Committee has achieve one of its objectives of understanding the Fund’s carbon exposure (this puts the Fund ahead of any many other funds in doing such an exercise, a recent Greenwich Associates survey suggested that just 5% of UK pension funds had considered such an exercise).

Based on previous discussions, we understand that there is a desire to reduce the Fund’s carbon exposure, albeit no specific targets have been discussed, or specifics e.g. emissions, carbon intensity or fossil fuel exposure.

**Details of the specific measures can be considered in more detail over the course of 2018, what is key is that if a target is introduced a consistent method is adopted to allow the Fund’s progress to be considered over time.**

**Reference index**

We propose that the MSCI AC World index is used as the reference index. This is a commonly used index to represent “global stockmarkets” and is commonly used as a benchmark for global equity portfolios.

**Target levels**

If we focus on carbon emissions, the analysis discussed in this paper indicates that Fund already has c9% less carbon intensity than the index. The extent of your desire to put a target in place (exposure relative to the reference index), and if so, the size of this target should be subject to further discussion with you. However, we anticipate it being in the region of 20%-50% (amount to be defined following discussions with you) of the reference index achieved over an appropriate timescale (e.g. 5 years).

**Review Fund benchmarks**

The impact of benchmark choice is most notable for the Fund’s passive mandates, where the manager’s objective is to replicate the underlying index. MSCI’s analysis shows the significant difference in the MSCI ACWI and the MSCI Low Carbon benchmarks. There are now a range of low carbon/ESG benchmarks that the Fund could consider. We recommend further training takes place on these during 2018, with the potential that a proportion (potentially all) of the Fund's passive assets are benchmarked against such a benchmark.

**Challenge active managers**

The results have flagged the Fund's exposure to specific higher carbon stocks. The Fund's managers should be asked to explain their rationale for holding such stocks, most notably

- Aberdeen: Challenge on engagement with Maple Leaf and Tenaris and understand how firm takes carbon risks into account for Swire Pacific.
- JP Morgan: Challenge on stock selection in energy and materials. How are carbon risks being priced into stock selection decisions.

**Feed into pooling**

Post pooling the Pool's operator will be responsible for appointing the underlying active managers. The Committee should seek details as to their process for assessing manager's ESG capabilities and willingness to provide carbon reporting.

**Repeat exercise**

It is important that you assess what progress is made relative to any objectives. However, there needs to be a balance between frequency of analysis, and cost of doing the analysis. We believe every two years should be broadly sufficient, albeit you may wish to receive more frequent updates from your active managers.

**Consider broader assessment**

Carbon is just one ESG element. There is scope to consider broadening this review to include other ESG related aspects e.g. human rights, labour rights, governance. This would work in a similar way to the process for carbon monitoring i.e. the Fund's underlying holdings compared to a broader universe using a providers underlying scoring.

Where possible this assessment should also be broadened out to the Fund's other asset classes i.e. not just equities.

Prepared by:-

Jordan Irvine, Associate Investment Consultant

William Marshall, Partner

For and on behalf of Hymans Robertson LLP

**General Risk Warning**
Please note the value of investments, and income from them, may fall as well as rise. This includes equities, government or corporate bonds, and property, whether held directly or in a pooled or collective investment vehicle. Further, investments in developing or emerging markets may be more volatile and less marketable than in mature markets. Exchange rates may also affect the value of an overseas investment. As a result, an investor may not get back the amount originally invested. Past performance is not necessarily a guide to future performance.

## Glossary

**Active Management** - A mark through either Asset Allocation, Market Timing or Stock Selection (or a combination of these). Directly contrasted with Passive Management.

**Actuary** - An independent consultant who advises on the viability of the Fund. every three years the actuary reviews the assets and liabilities of the Fund and reports to the County Council as administering authority on the financial position and the recommended employers contribution rates. This is known as the actuarial valuation.

**Asset Class** - A specific area/type of Investment e.g. uK equities, overseas equities, Fixed Income, Cash.

**Benchmark Return** - The benchmark return is the return that would be achieved if the Fund Manager had not deviated from the weightings of each asset class given to them by the Investment Panel, and had achieved returns in each of these asset classes consistent with the average return of all local Authority Funds for that class. The Benchmark weightings of asset classes is outlined within the Investment Strategy Statement.

**Corporate Governance** - Issues relating to the way in which a company ensures that it is attaching maximum importance to the interests of its shareholders and how shareholders can influence management.

**Equities** - ordinary shares in UK and overseas companies traded on a recognised stock exchange. Shareholders have an interest in the profits of the company and are normally entitled to vote at shareholders' meetings.

**Fixed Interest Securities -** Investments in mainly government stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a stated future date but which can be traded on the Stock exchange in the meantime.

**Fund Manager** - A person or company to whom the Investment of the whole or part of the assets of a fund is delegated by the Trustees.

**Investment -** An asset acquired for the purpose of producing income and Capital Gain for its owner.

**Independent Investment Adviser** - A professionally qualified individual or company whose main livelihood is derived from providing objective, impartial Investment advice to companies, pension funds or individuals, for a stated fee.

**Market Indicators –**
(i) The movement in Stock market are monitored continuously by means of an Index made up of the current prices of a representative sample of stock.
(ii) Change in the rates at which currencies can be exchanged.

**Market Value** -The price at which an investment can be sold at a given date.

Out performance/Under performance - The difference in returns gained by a particular fund against an 'Average' Fund or an Index over a specified time period ie a Target for a fund may be out performance of a Benchmark over a 3-year period.

**Passive Management** - (also called Indexation/Index Tracking) A style of Investment Management which aims to construct a Portfolio in such a way as to provide the same Return as that of a chosen Index i.e. Stocks are purchased to be as representative as possible of the make-up of the Index. Contrasts with Active Management.

**Performance** - A measure, usually expressed in percentage terms, of how well a fund has done over a particular time period - either in absolute terms or as measured against the 'Average' Fund or a particular Benchmark.

**Performance Measurement** - A service designed to help investors evaluate the performance of their investments. This usually involves the comparison of a fund's performance with a selected Benchmark and/or with a universe of similar funds. The main Performance Measurement Companies are The WM Company, which the Dyfed Pension Fund uses, and CAPS.

**Portfolio** - A collective term for all the investments held in a fund, market or sector.

**Preserved Benefits** - The pension benefits payable from normal retirement age to a member of the Fund who has ceased to contribute as a result of leaving employment or opting out of the Pension scheme before normal retirement age.

**Return -** The total gain from holding an investment over a given period, including income and increase (decrease) in market value.

**Risk** - Generally taken to mean the Variability of Returns. Investments with greater risk must usually promise higher returns than more 'stable' investments before investors will buy them.

**Transfer Value** - Payments made between funds when contributors leave service with one employer and decide to take the value of their contributions to their new fund.

**Unrealised Increase/Decrease In Market Value** – The increase/(decrease) in market value, since the purchase date, of those investments held at the year end.

Cyngor Abertawe
Swansea Council

**Report of the Section 151 Officer**

**Pension Fund Committee – 15 November 2023**

# Wales Pension Partnership (WPP) Annual Report 2022/23

| | |
|---|---|
| **Purpose:** | To receive the Wales Pension Partnership (WPP) Annual Report 2022/23. |
| **Reason for Decision:** | To comply with governance/reporting guidelines. |
| **Consultation:** | Legal, Finance and Access to Services. |
| **Report Author:** | J Dong |
| **Finance Officer:** | J Dong |
| **Legal Officer:** | S Williams |
| **Access to Services Officer:** | R Millar |
| **For Information** | |

**Wales Pension Partnership Annual Report**

**1 Background**

1.1 In line with regulation, the Wales Pension Partnership (WPP) produces an Annual Report on a yearly basis. Attached at Appendix 1 is the WPP Annual Report 2022/23.

**2 Legal Implications**

2.1 There are no legal implications arising directly from this report.

**3 Financial Implications**

3.1 There are no financial implications arising from this report

**4 Integrated Impact Assessment Implications**

4.1 The Council is subject to the Equality Act (Public Sector Equality Duty and the socio-economic duty), the Well-being of Future Generations (Wales) Act 2015 and the Welsh Language (Wales) Measure, and must in the exercise of their functions, have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Acts.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.
- Deliver better outcomes for those people who experience socio-economic disadvantage.
- Consider opportunities for people to use the Welsh language.
- Treat the Welsh language no less favourably than English.
- Ensure that the needs of the present are met without compromising the ability of future generations to their own needs.

4.2 The Well-being of Future Generations (Wales) Act 2015 mandates that public bodies in Wales must carry out sustainable development. Sustainable development means the process of improving the economic, social, environmental and cultural well-being of Wales by taking action, in accordance with the sustainable development principle, aimed at achieving the 'well-being goals'.

4.3 Our Integrated Impact Assessment (IIA) process ensures we have paid due regard to the above. It also takes into account other key issues and priorities, such as poverty and social exclusion, community cohesion, carers, the United Nations Convention on the Rights of the Child (UNCRC) and Welsh language.

There are no equality impact implications arising from this report.

**Background Papers:** None.

**Appendices:** Appendix 1 – WPP Annual Report 2022/23.

# Wales Pension Partnership Annual Report 2022/2023

# Contents

# Introduction

Firstly, please allow me to take this opportunity to thank you for taking the time to read our Annual Report. The report is a useful way of keeping the Wales Pension Partnership ("WPP") stakeholders, and all other interested parties, up-to-date and informed on the work and activities undertaken by the WPP over the past twelve months.

Before handing over to the Chair of our 2022/23 Joint Governance Committee ("JGC"), Councillor Chris Weaver, who will be providing you with an overview of some of WPP's highlights over the past year and plans for the year ahead, I wanted to provide a brief explanation as to what the WPP is, what it does and why it does it.

The WPP is one of eight Local Government Pension Scheme ("LGPS") Investment Pools. LGPS Investment Pools were created back in 2017 in response to government regulations which required the Local Government Pension Funds in England and Wales to 'Pool' their assets in order to deliver greater benefits of scale, cost savings, and other efficiencies.

Prior to the announcement of the Government's Pooling Regulations, the eight LGPS Funds within Wales, had been collaborating and had already delivered costs savings from a joint collaboration on passive investments. Following the introduction of the new pooling regulations the eight Welsh Constituent Authorities agreed that they would continue and enhance their levels of collaboration. In 2017, the WPP was formally established to facilitate and assist the pooling activities of Wales's Constituent Authorities. Since 2017, the WPP has enabled the Constituent Authorities to pool around 70% of their assets.

All of the Constituent Authorities participating in the WPP have an equal say in the direction and actions of the pool. They have agreed that the WPP should focus on delivering an investment framework that achieves the best outcomes for its stakeholders, which are ultimately the Constituent Authorities and the underlying members of their pension funds.

All of the Constituent Authorities are involved in all aspects of the WPP and support its work programme. It was agreed that there was a need for a 'Host Authority' who would take responsibility for the day to day running of the Pool. Currently this role is being carried out by Carmarthenshire County Council. The Host Authority is responsible for numerous aspects of the WPP's operations, ranging from the procurement and oversight of WPP's service providers and advisors to the upkeep of the WPP's website. The Host relies on the support, input and collaboration of the other seven Constituent Authorities. WPP's strength and progress stems from the incredible levels of collaboration and trust between the Constituent Authorities, alongside their unrelenting commitment to delivering the best possible outcomes for the WPP stakeholders.

I hope that you will find this report informative and that it gives you a sense of the tremendous progress, achievements to date and benefits delivered by the Welsh Constituent Authorities' collaboration. Please do feel free to contact us, using the contact details on Page 33, if you have any questions or feedback.

Yours Sincerely,

Chris Moore

Section 151 Officer,

Carmarthenshire County Council

# JGC Chair's Statement

Welcome to the 2022/23 WPP Annual Report, which provides you with a review of the work that the WPP has undertaken over the past twelve months and the plan for the year ahead.

Hybrid working and hybrid meetings are now the norm, this has proven to be very successful with excellent attendance at various meetings, including JGC meetings and regular training events. These training events are an effective way of providing decision makers with the required knowledge base to fulfil their roles and make decisions that will deliver the best possible outcomes for WPP's stakeholders.

With the initial private market allocators appointed in 2021/22, these asset classes have developed during 2022/23 with the launch of WPP's Infrastructure and Private Credit investment programmes. In December 2022, Schroders Capital was confirmed as the allocator for WPP's Private Equity programme, and this is due to launch by the end of 2023. This is great progress and demonstrates the exceptional working relationship between the eight Constituent Authorities. I would like to take this opportunity to thank them for the time and energy that they have contributed, as well as their positivity and flexibility.

Also, on the Investment side, we are excited to announce the launch of our Sustainable Active Equity Fund which is due to launch in June 2023. This new sub fund is a diversified multi-manager solution tailored to WPP's requirements, enhancing the choices available to the individual Constituent Authorities and aligning with their evolving sustainability objectives. I would like to thank Link Fund Solutions and Russell Investments for their assistance in developing this sub fund.

Responsible Investment, including climate risk continues to be a key priority for the Welsh Constituent Authorities. It is pleasing to see the progress the WPP has made this year and the ongoing discussions, both internally and externally, in relation to climate goals and Environmental, Social and Governance (ESG) issues. The WPP has started work on an all-Wales climate report and we look forward to seeing the results of this in 2023/24, this will put the WPP in a positive position for the upcoming Task Force on Climate-related Financial Disclosures (TCFD) requirements. During 2023/24 the WPP is also looking at evolving its policies further, including plans to establish an appropriate escalation policy within its Stewardship Policy.

The WPP became a signatory to the UK Stewardship Code in 2022. In October 2022, the WPP submitted its second annual stewardship report, for the reporting year to 31 March 2022 and I am delighted to say we have remained a signatory. This is a fantastic achievement and recognises all the work that the WPP has done and continues to do in this area. Work on the 2022/23 report is already underway, with submissions due by the end of October 2023. The 2022 stewardship report is published on WPP's website.

We are proud of the progress that has been made again this year and look forward to further progress in 2023/24.

Finally, I would like to take this opportunity to say what an honour it has been to be Chair of the JGC over the past 12 months. Cllr. Ted Palmer will be taking over the role for 2023/24 and I would like to wish him all the best and thank him for the support he has provided me as Vice-Chair.

We hope you enjoy our Annual Report.

Yours Sincerely,

Councillor Chris Weaver

Chair of the Wales Pension Partnership Joint Governance Committee 2022/23

# About the Wales Pension Partnership

Established in 2017, the WPP is a collaboration of the eight LGPS funds (Constituent Authorities) covering the whole of Wales and is one of eight national Local Government Pension pools.

We have a long, successful history of collaboration, including examples that pre-date the Government's pooling initiative. We are proud of our unique identity as a Pool – our Constituent Authorities represent and span the entirety of Wales. Being democratically accountable means, we provide the best of strong public sector governance and transparency.

Our operating model is designed to be flexible and deliver value for money. We appointed an external fund Operator and make use of external advisers to bring best of breed expertise to support the running of the Pool, this includes Hymans Robertson who have been appointed as the WPP's Oversight Advisor. The Operator is Link Fund Solutions who has partnered with Russell Investments to deliver effective investment management solutions and provide strong net of fee performance for all the Constituent Authorities. The eight Constituent Authorities of the Wales Pension Partnership are:

Cardiff & Vale of Glamorgan Pension Fund Cronfa Bensiwn Caerdydd a Bro Morgannwg

Cronfa Bensiynau CLWYD Pension Fund

Cronfa Bensiwn DYFED Pension Fund

Torfaen Monmouthshire Newport Caerphilly Blaenau Gwent

Powys

RHONDDA CYNON TAF

Cronfa Bensiwn Gwynedd Pension Fund

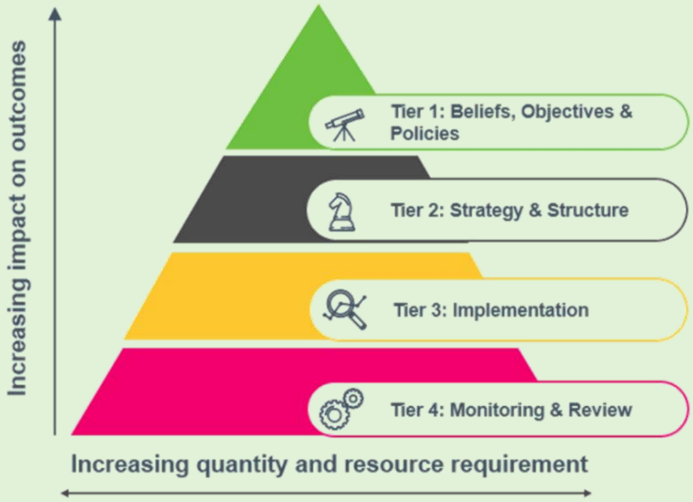
Cronfa Bensiwn Dinas a Sir Abertawe City and County of Swansea Pension Fund Gweinyddir gan Administered by Cyngor Abertawe Swansea Council

The eight Constituent Authorities have a shared vision and agreement on the means and pace at which this vision will be achieved. The WPP's Beliefs reflect the collaborative nature and shared values of the Constituent Authorities, they are as follows:

- The WPP's role is to facilitate and provide an investment pooling platform through which the interests of the Constituent Authorities can be implemented.
- Good governance should lead to superior outcomes for the WPP's stakeholders.
- Internal collaboration between the Host and Constituent Authorities is critical to achieving the WPP's objectives. External collaboration is also beneficial in delivering cost savings and better outcomes for stakeholders.
- Responsible Investment and effective Climate Risk mitigation strategies, alongside consideration and evidential management of Environmental, Social and Governance issues should result in better outcomes for the WPP's stakeholders.
- Effective internal and external communication is vital to achieving the WPP's objectives.
- External suppliers can be a cost-effective means of enhancing the WPP's resources, capabilities and expertise.
- Fee and cost transparency will aid decision making and improve stakeholder outcomes.

- Continuous learning, innovation and development helps the WPP and its Constituent Authorities to evolve.
- A flexible approach to the WPP pool structure and implementation methods will enable the WPP pool to adapt in future and continue to meet the needs of its stakeholders.

The WPP's beliefs have been given pride of place at the peak of the WPP's governance framework and have been used to guide all of the WPP's activities and decision making, including its objectives and policies. The WPP's governance framework is outlined below, this framework aims to ensure that key decisions are given priority and resources are focussed on areas most likely to contribute to the future success of the WPP:




The WPP is proud to represent the eight Constituent Authorities and recognises its duty to ensure the needs and requirements of its stakeholders are met. The WPP, through consultation with all eight Constituent Authorities, has formulated a list of primary objectives which stem from its overarching beliefs. These can be summarised as follows:

- To provide pooling arrangements which allow individual funds to implement their own investment strategies (where practical).
- To achieve material cost savings for participating funds while improving or maintaining investment performance after fees.
- To put in place robust governance arrangements to oversee the Pool's activities.
- To work closely with other pools to explore the benefits that all stakeholders in Wales might obtain from wider pooling solutions or potential direct investments.
- To deliver an investment framework that achieves the best outcomes for its key stakeholders; the Constituent Authorities. The Constituent Authorities will be able to use this framework to deliver the best outcomes for their Scheme Members & Employers.
- To embed the delivery of long-term, sustainable investment outcomes into decision making, through capital allocation, the ongoing scrutiny of asset managers, and the exercise of the rights and responsibilities that arise as asset owners.

The eight Constituent Authorities recognise that their strength derives from their shared beliefs and their ability to work together to deliver on their unified objectives for the benefit of all WPP stakeholders.

# Pool Management

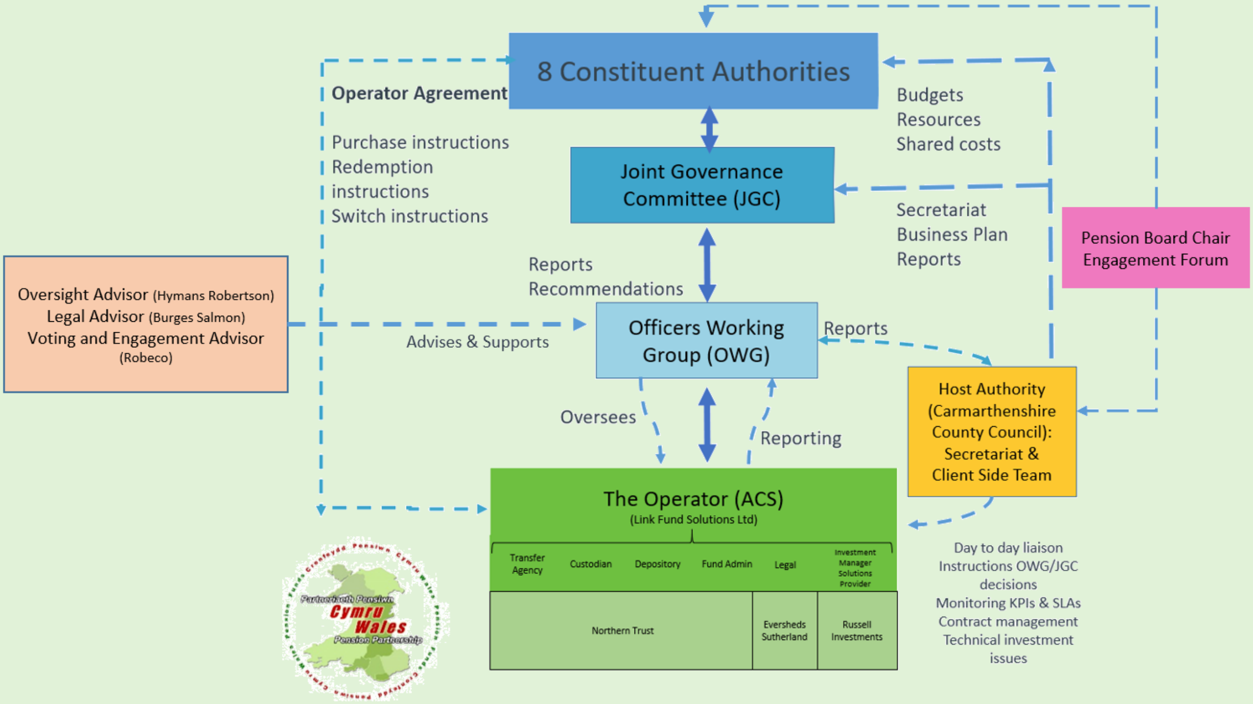
The WPP is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It must also ensure that: public money is safeguarded and properly accounted for; used economically, efficiently and effectively; as well as to secure continuous improvement and delivery in this regard.

The WPP details how it deals with all aspects of Governance through its Inter Authority Agreement (IAA), which defines the standards, roles and responsibilities of the Constituent Authorities, its Members, Committees and Officers. The IAA includes a Scheme of Delegation outlining the decision-making process, taking into account the relevant legislation. The WPP has also developed a Governance Manual which further articulates the WPP's governance arrangements, including its structure, policies and procedures. This is available on the WPP website.

In line with its belief that good governance should lead to superior outcomes for stakeholders, the WPP has put in place a robust governance structure, which has been designed to:

- Deliver on its Objectives
- Be flexible and adaptive
- Demonstrate its commitment to the highest standards of governance
- Meet the needs of its stakeholders
- Foster collaboration and communication within the WPP
- Be transparent
- Be cost effective

The diagram below provides an illustration of the WPP's governance structure. The WPP's Governance Matrix can also be found on our website. It provides a concise overview of the WPP's governance structure and outlines the internal bodies that are responsible for key decisions and actions carried out by the Partnership.




The Constituent Authorities sit at the top of the WPP's governance structure. They retain control of all activity carried out by the WPP and remain responsible for approving the WPP's Business Plan, which outlines the WPP's budget and workplan, as well at its Beliefs and Objectives. The WPP Business Plan can be found on our website. The Constituent Authorities are heavily involved in all aspects of the WPP's governance structure, while the WPP's Joint Governance Committee and Officers Working Group are comprised of representatives from the Constituent Authorities.

The WPP has created a number of committees, groups and roles as part of its governance structure, the creation of which has ensured that the WPP has been able to deliver a robust governance structure to its stakeholders. In particular, the WPP's governance structure seeks to promote;


A brief introduction to the purpose and membership of the WPP's committees, group and roles can be found below:

***Joint Governance Committee***

The Wales Pension Partnership Joint Governance Committee (JGC) was formalised in June 2017 and during 2022/23 the JGC has met three times. The JGC is comprised of one elected member from each of the eight Constituent Authorities and a co-opted (non-voting) scheme member representative. The elected member must be a member of that Constituent Authority and that Constituent Authority's Pension Committee.

The Chair and Vice-chair are rotated on an annual basis. The chair during 2022/23 was Cllr. Christopher Weaver - City of Cardiff Council (Cardiff & Vale of Glamorgan Pension Fund) and the vice-chair was Cllr. Ted Palmer – Flintshire County Council (Clwyd Pension Fund).

The JGC is responsible for overseeing the pooling of the investments of the eight Local Government Pension Scheme funds in Wales. The JGC's full set of responsibilities are set out in Schedule 3 (JGC Matters) and Schedule 4 (JGC Terms of Reference) of the Inter Authority Agreement. The JGC plays a critical role in either approving proposals, policies and activities or putting forward recommendations for Constituent Authority consideration.

Given the importance of the JGC's role within the WPP's Governance Structure it is vital that there is a high level of engagement and attendance amongst Members of the JGC. The exemplary levels of engagement and attendance from the JGC Members to date is not only a reflection of their commitment to pooling and the long-term success of the WPP but also the willingness and desire of the Constituent Authorities to work together.

To aid the levels of engagement and collaboration the Welsh Constituent Authorities have agreed that JGC meetings will be hosted on a rotational basis across all eight Constituent Authorities. During 2022/23 three JGC meetings were held with the September 2022 meeting being cancelled due to the death of Her Majesty Queen Elizabeth II. Since Covid 19, JGC meetings are now being held as a combination of virtual and hybrid meetings. The JGC dates, venues and attendance for 2022/23 are summarised in the table below:

| JGC Date: | Venue | JGC Members in attendance: |
|---|---|---|
| 8 July 2022 | Virtual via Zoom | All 8 members |
| 5 December 2022 | Virtual via Zoom | All 8 members |
| 29 March 2023 | Hybrid, hosted by Gwynedd | All 8 members |

These meetings are also attended by WPP's external advisors and other service providers, as and when required. The WPP prides itself on being open and transparent and this is evidenced by the fact that JGCs are publicly webcasted, while agendas and minutes are also made publicly available on Carmarthenshire County Council's website.

***Officers Working Group***

The WPP's Officers Working Group (OWG) was established with the purpose of providing support and advice to the Joint Governance Committee. The group met four times during 2022/23.

The OWG is comprised of practitioners and Section 151 officers from all eight Constituent Authorities. The Chair of the OWG is Chris Moore, Section 151 Officer of Carmarthenshire County Council (Host Authority). OWG meetings are a blend of virtual and in person meetings which are held in Cardiff with three virtual meetings and one in person meeting being held during 2022/23.

The OWG, in a similar fashion to the JGC, has a stellar track record in terms of engagement and attendance. There is at least one representative from each Constituent Authority in attendance at all OWG meetings and it is common to see both the Section 151 Officer and Practitioner from all eight Constituent Authorities in attendance.

The WPP's providers and external advisors also attend OWG meetings and provide support or advice when required. At present the WPP's Operator, Oversight Advisor and Investment Management Solutions Provider attend all OWG meetings. Other parties such as cost transparency advisors, LAPFF, bfinance and Audit Wales representatives are also invited to attend OWG when required.

In addition to the OWG meetings, members of the OWG participate in 2-hour virtual meetings on a fortnightly basis. These virtual meetings are used to deal with any matters that arise in between formal OWG meetings, they are also used to progress work between OWG meetings. These fortnightly calls are an invaluable mechanism for progressing work and fostering collaboration between the Constituent Authorities and the WPP's suppliers.

The WPP has also established a number of 'sub-groups', these sub-groups are generally formulated to progress or develop certain elements of the WPP's workplan. All of the sub-groups are made up from a sub-section of the OWG and are responsible for formally reporting back to the entire OWG. Example of WPP sub-groups include;

- The Private Market Sub-Group – which is responsible for formulating and developing the WPP's Private Market Sub-Funds.
- The Risk Register Sub-Group – which is responsible for maintaining the WPP Risk Register and reporting back any changes or developments to the OWG and JGC on a quarterly basis.
- The Responsible Investment Sub-Group – which is responsible for overseeing all Responsible Investment matters within the WPP, including policy development and reviews, external reporting, and scrutiny / oversight.

***Host Authority***

Carmarthenshire County Council has been appointed as the Host Authority for the Wales Pension Partnership. The Host Authority is responsible for providing administrative and secretarial support to the JGC and OWG, and liaising day to day with the Operator on behalf of all of the LGPS funds in Wales. The role of the Host Authority is set out in Section 6 of the IAA.

The Host Authority's role is critical to the effectiveness and efficiency of the WPP, it is responsible for the day to day management of the Pool and takes ownership of managing and progressing the WPP's activities and endeavours. The size and nature of the Pool means that the Host Authority is responsible for a broad, and ever changing, range of activities and responsibilities, these include organising and facilitating the WPP's trainings days to formulating and submitting the WPP's 'Pooling Update' submissions to the Department for Levelling Up, Housing and Communities & Local Government (DLUHC).

The Host Authority is the main point of contact for all WPP related questions and is also tasked with maintaining the WPP's communication methods (e.g., Website and LinkedIn). The Host Authority has a substantial internal team from which it can utilise resources and expertise to help it meet its responsibilities. The core members of the Host Authority team are Chris Moore, Anthony Parnell and Tracey Williams.

***Monitoring Officer***

The Monitoring Officer Role (Head of Administration & Law) is currently carried out within the Host Authority (Carmarthenshire County Council). The Monitoring Officer is responsible for maintaining the IAA to ensure that it reflects up to date legislative requirements and the WPP's Governance needs and is also responsible for ensuring that the provisions are fully complied with at all levels. The Monitoring Officer attends all JGC meetings.

The Monitoring Officer is well placed to play a proactive role in supporting Members and Officers in both formal and informal settings to comply with the law and with the WPP's own procedures. As the Head of

Service with ultimate responsibility for the Democratic Services Unit, the Monitoring Officer is also responsible for the formal recording and publication of the democratic decision-making process.

The Monitoring Officer works closely with the Section 151 Officer in accordance with the provisions of the Local Government and Housing Act 1989 and reports to the Joint Governance Committee if he/she considers that any proposal will give rise to unlawfulness.

***Section 151 Officer***

Carmarthenshire County Council's Director of Corporate Services is the responsible officer for the administration of the WPP's affairs under Section 151 of the Local Government Act 1972 and carries overall responsibility for the financial administration of the WPP.

***Link Fund Solutions Ltd (The Operator)***

The WPP has designed an operating model which is flexible and able to deliver value for money. Link Fund Solutions Ltd (Link) has been appointed as the external Operator and, with the support of Russell Investments, they deliver effective investment management solutions and provide strong net of fee performance for all the Constituent Authorities.

There is an Operator Agreement in place with Link Fund Solutions which sets out the contractual duties of the Operator and governs the relationship between the Operator and the WPP. The JGC and OWG, with the support of its Oversight Advisor, oversee the work that Link Fund Solutions carries out on behalf of the WPP. The WPP's Operator Engagement Protocols have also been put in place to ensure that there is sufficient levels of direct engagement between the Operator and the individual Constituent Authorities.

Link Fund Solutions carry out a broad range services for the WPP, these include:

- Facilitating Investment Vehicles & Sub-Funds
- Performance reporting
- Transition implementation
- Manager monitoring and fee negotiations
- Risk reporting
- Class Actions monitoring

***Russell Investments (Investment Management Solutions Provider)***

In collaboration with Link Fund Solutions, Russell Investments provides investment manager solution services to the WPP. Alongside Link Fund Solutions, they work in consultation with WPP's eight Constituent Authorities to establish investment vehicles. Russell's remit includes advising Link Fund Solutions and WPP on efficiencies around portfolio construction which includes manager selection. Link Fund Solutions continues to work with Russell Investments, where applicable, to further reduce WPP's costs through multi-manager structures, currency managements solutions, portfolio overlays, transition management and other execution services.

***Hymans Robertson (The Oversight Advisor)***

Hymans Robertson has been appointed as the Oversight Advisors for the WPP. Hymans Robertson's role spans oversight and advice on governance arrangements, operator services, strategic investment aspects and project management support. They attend all OWG and JGC meetings.

***Burges Salmon (Legal Advisor)***

Burges Salmon provides Legal advice, as and when required. Burges Salmon's remit requires them to provide expertise in FCA regulated funds, tax, public sector procurement and local government. In addition, Burges also advises on governance arrangements, building complex procurement specifications, advising on the procurement process and evaluation criteria. They also support WPP in finalising legal agreements and formulating FCA prospectus applications.

***Northern Trust (The Custodian)***

Northern Trust provides services including securities lending, fund administration, compliance monitoring and reporting for the Wales Pension Partnership.

***Robeco UK (Proxy Voting & Engagement Provider)***

Robeco UK has been appointed as the WPP's Voting and Engagement provider and assists the WPP in formulating and maintaining Voting Policy and Engagement Principles that are in keeping with the Welsh Constituent Authorities' membership of the Local Authority Pension Fund Forum ('LAPFF'). Furthermore, Robeco takes responsibility for implementing the Voting Policy across WPP.

# Risks

The Wales Pension Partnership (‘WPP’) recognises that it faces numerous risks which, if left unmanaged, can limit the WPP’s ability to meet its objectives and to act in the best interest of its stakeholders and beneficiaries. However, the WPP also understands that some risks cannot be fully mitigated and that in these instances’ risks need to be embraced through active and effective management.

Risk management is a critical element of the WPP’s commitment to good governance, the WPP has developed a structured, extensive and robust risk strategy. This strategy will be embedded into the WPP’s governance framework to ensure better decision-making, improved outcomes for stakeholders and greater efficiency.

The WPP’s risk strategy seeks to identify and measure key risks and ensure that suitable controls and governance procedures are in place to manage these risks. The WPP believes that risks are fluid in nature and that the severity and probability of risks can change rapidly and without fair warning. To reflect this belief, the WPP’s Risk Policy has been developed in such a way that risks can be anticipated and dealt with in a swift, effective manner to minimise potential loss or harm to the WPP and its stakeholders. The Risk Policy outlines how we identify, manage and monitor risks.

In addition, we have developed a risk register to monitor and manage potential risks and a dedicated Risk Sub-Group (made up of Officers from the Constituent Authorities and WPP’s Oversight Advisor, Hymans Robertson) has been established to maintain and evaluate the WPP’s Risk Register on a quarterly basis.

To deliver on its objectives, the WPP needs to carry out activities or seize opportunities that subject it to risk. The extent to which the WPP is able to effectively balance risk and return will depend on the success of its Risk Policy. It is critical that prior to making decisions the WPP understands the associated risks and considers the means by which these risks could be managed. Effective identification, understanding, management and monitoring of risks will allow the WPP to:

The greatest risk to the WPP's continued operation is its ability to deliver on its primary objectives. The WPP Business Plan is an additional means through which the WPP will give special recognition to risks that pose a material threat to the delivery of its objectives and the actions required to manage these risks.

A detailed management strategy and action plan is in place to manage risks. One of the risks that was considered significant last year, 'The WPP fails to identify and take measures to remedy malpractice', is no longer considered as significant due to the mitigating actions that have been carried out, which includes having a WPP Whistleblowing Policy in place.

At present, WPP's most significant risks (risks with a risk score of 10 or more and where the current risk score exceeds the target risk score) are:

- WPP Sub-Funds fail to achieve their target investment returns (Risk I.1)
- Difference of opinion / or views within the WPP cannot be reconciled (Risk G.9)
- The WPP's Operator fails to deliver on its contractual obligations or stops providing Operator services due to exiting the market or regulatory restrictions (Risk G.12)

During the course of the next twelve months the WPP will prioritise the management of these risks with the aim of reducing the possibility of these risks occurring and the impact that they can have on the WPP. The table below summarises how these risks are currently managed and outlines what actions will be completed during the next 12 months.

| Risk: | Current Management Strategy: | Action for the next 12 months: |
|---|---|---|
| **WPP Sub-Funds failure to achieve their long term targeted investment returns** | • Ongoing monitoring of investment performance, market developments and economic outlook reported by the Investment Manager and the Operator and discussed at OWG meetings<br>• The Operator/ the Investment Manager engagement with Investment Managers and ongoing reviews of their process<br>• Bi-annual sub-fund benchmarking<br>• Quarterly reporting on climate & ESG risks<br>• An 'ACS responsibilities matrix' which formalises targeted & benchmark returns, along with other aspects of sub-fund management is in place<br>• Manager days hosted by the Operator/ the Investment Manager for OWG/Constituent Authorities Pension Fund Committees | • Continue to monitor the progress of the risk controls that are currently in place<br>• Consider any further mitigations that need to be planned or implemented |
| **Difference of opinion / or views within the WPP cannot be reconciled.** | • High levels of communication between decision makers (and Constituent Authorities)<br>• Codified set of agreed/ united WPP objectives and beliefs<br>• Regular scheduled meetings, and ad hoc meetings if required, to facilitate the sharing and reconciliation of views (for example, via Responsible investment sub-group meetings)<br>• Oversight Advisor in place to provide advice on governance structure<br>• Engagement with relevant bodies on good governance guidance and best practice<br>• Ongoing review of governance structure<br>• Democratic decision-making process in place<br>• Clear escalation process in place for obtain consent if mutual agreement cannot be reached | The WPP is aware that Climate Risk and Responsible Investment is an area which continues to be constantly and quickly evolving and that the requirements/ needs of the Constituent Authorities are consequently changing significantly and frequently. The WPP is continually trying to reduce the probability of this risk occurring by increasing its levels of consultation with the Constituent Authorities, however it is expected that there will be further scenarios that may test this risk so the risk score will stay as 15 until these can be 'tested' against the current controls. |
| **The WPP's Operator fails to deliver on its** | • Designated Operator Oversight Advisor in place<br>• Intensive engagement protocols with Operator | • The OWG receives regular updates on the progress the Link Group sale of Link Fund Solutions and the FCA penalty/restitution payment in relation to Woodford. |

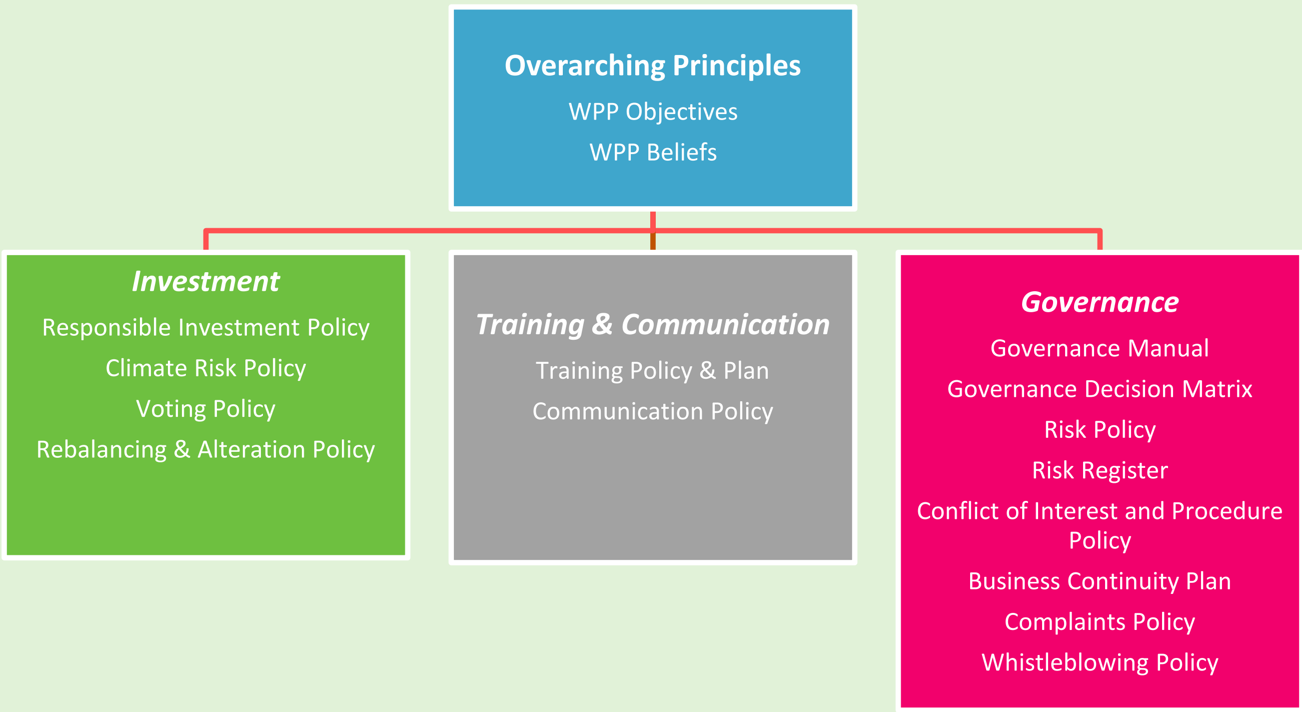
| | | |
|---|---|---|
| **contractual obligations or stops providing Operator services due to exiting the market or regulatory restrictions** | • Engagement with the wider Operator market (and other suitable suppliers) is built into the WPP business plan<br>• The WPP has formulated contracts that have natural break or exit points and minimal exit fees<br>• Operator Workplan is in place to monitor the various workstreams relating to Operator Oversight<br>• The FCA maintains a list of replacement ACS Operators which could step in if the WPP's Operator were to exit the market<br>• The process for Operator procurement has commenced | • The Host Authority, with support from its Operator Oversight Advisor, is continuing to have regular review meetings with the Operator.<br>• An enhanced Operator Management Information Reporting Pack is now in place with further developments ongoing.<br>• The Operator procurement process is progressing well.<br>• Consider any further mitigations that need to be planned or implemented |

The WPP Risk Policy and Risk Register are both publicly available on the WPP's website.

# WPP Policies and Processes

The WPP believes that good governance should lead to superior outcomes for the WPP's stakeholders. In recognition of this belief, the WPP has devoted resources to developing a robust and extensive governance structure and framework. A key part of WPP's governance structure is focused on developing policies and procedures, in consultation with the Constituent Authorities. In all instances the WPP's policies and procedures have been developed to either complement or subsidise the existing procedures and policies of the Constituent Authorities. The WPP understands the importance of formulating and codifying its policies and procedures. This process allows the WPP, and the Constituent Authorities, to:

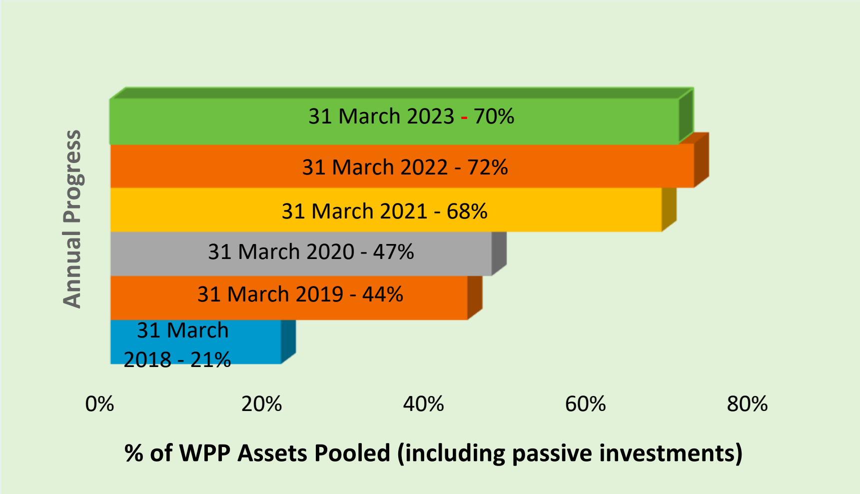

The WPP's key policies, registers and plans are listed below and can be found on the WPP website. The policies and procedures are reviewed on a regular basis and the WPP will continually assess whether any additional policies, registers or plans are required. The WPP workplan includes additional governance documents that will be developed during the next three years. These will be made available on the WPP website once completed.

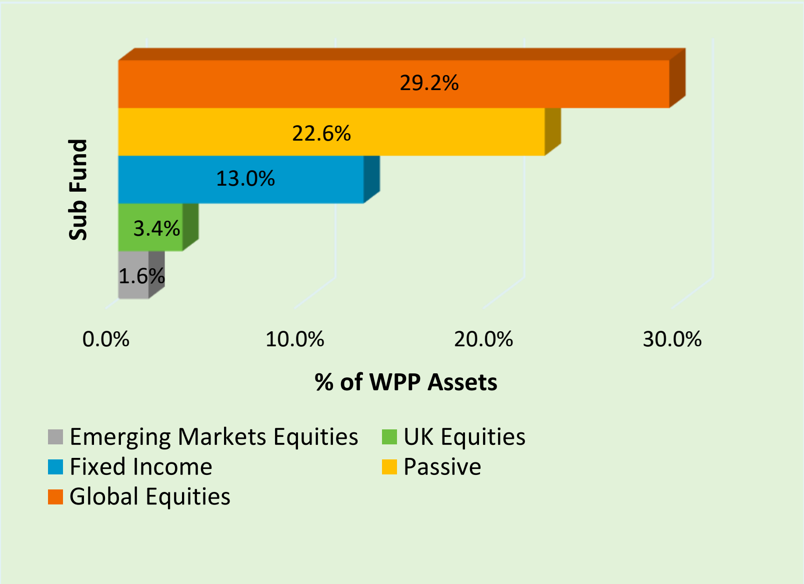



A Breaches and Errors Policy will be developed during 2023/24.

# Pooling Progress

The WPP aims to deliver investment solutions that allow the Constituent Authorities to implement their own investment strategies with material cost savings while continuing to deliver investment performance to their stakeholders. Significant progress has been made towards delivering on this objective. Launching WPP's four active equity sub-funds, five Fixed Income sub-funds alongside the Constituent Authorities existing passive investments, has meant that that the WPP has pooled c70% of assets, as illustrated in the graph below:




The WPP is proud that despite only being established in 2017 it has already managed to pool c70% of the Constituent Authorities' assets. This is a marginal decrease from last year due to a fall in the market value of the sub funds mainly as a result of the volatility of global markets. It is pleasing to see that all eight of the Constituent Authorities have made use of at least one of the sub-funds. The pooling progress to date has ensured that the WPP has been able to provide significant benefits of scale to the Constituent Authorities via cost savings and improved value for money. See page 27 for more detail.

WPP's Infrastructure and Private Credit investment programmes were launched in 2022/23 with the Private Equity investment programme due to launch in 2023/24. No funds have yet transitioned into these programmes, the first assets are due to be transitioned in 2023/24. WPP will continue to consult with CAs to review and develop a mechanism to pool any suitable non-pooled assets.

# WPP Statement of Accounts and Financial Performance

***BUDGET***

The following table shows the WPP's actual expenditure during 2022/23 compared with the approved budget for the year, detailing any variances. The Budget was approved by the Joint Governance Committee at the Joint Governance Committee meeting on 23 March 2022 and subsequently by all eight Constituent Authorities.

| Wales Pension Partnership 2022/23 | Budget (£) | Actual (£) | Variance (£) |
|---|---|---|---|
| Gross Expenditure | | | |
| Employee costs [1] | 86,200 | 67,728 | 18,472 |
| Host Authority costs [2] | 23,499 | 18,189 | 5,310 |
| Host Authority Support Services [3] | 81,360 | 81,360 | 0 |
| **Total Host Authority Gross Expenditure [4]** | **191,059** | **167,277** | **23,782** |
| External Consultants [5] | 1,205,500 | 1,097,165 | 108,335 |
| **Total Gross Expenditure** | **1,396,559** | **1,264,442** | **132,117** |

Notes:
1. This includes staff employed to work solely on the WPP. The Budget includes a Senior Financial Services Officer (1fte) and an Assistant Accountant (1fte for 6 months)
2. These costs include staff travelling expenses, subsistence and meeting expenses, admin, office and operational consumables, website (development and ongoing costs), audit fees and translation services
3. These are central recharges from the Host Authority and includes costs apportioned for the Section 151 Officer, Monitoring Officer, Treasury & Pension Investments Manager, Democratic Services Officer and also Premises and HR support
4. The total Host Authority expenditure is funded equally by all eight Pension Funds and are recharged on an annual basis
5. External Consultants include Investment & Legal Consultants, these costs are also funded by all eight Pension Funds

There was an underspend of £132k for the year, which was mainly due to:
- Employee costs – Assistant Accountant not appointed
- Host Authority costs – virtual meetings still being held, reducing staff travelling & meeting expenses
- External Consultants – work completed by external consultants less than anticipated.

## *COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)*

This Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.

| 2021/22 (£) | Description | 2022/23 (£) |
|---|---|---|
| | **Expenditure** | |
| 64,360 | Employee costs | 67,728 |
| 18,490 | Host Authority costs | 18,189 |
| 915,478 | External Advisor costs * | 1,097,165 |
| 79,183 | Host Authority Support Service costs | 81,360 |
| **1,077,511** | **Total Operating Expenditure** | **1,264,442** |
| | **Income** | |
| (1,077,511) | Constituent Authority Recharges ** | (1,264,442) |
| **(1,077,511)** | **Total Operating Income** | **(1,264,442)** |
| **0** | **Total Comprehensive Income and Expenditure** | **0** |

* The budget for External Advisor costs increased in 2022/23

** These costs are funded equally by all eight LGPS Funds and are recharged on an annual basis.

## *BALANCE SHEET*

The Balance Sheet shows the assets and liabilities of the WPP as at 31 March 2023.

| 31st March 2022 (£) | Description | 31st March 2023 (£) |
|---|---|---|
| | **Current Assets** | |
| 501,316 | Short Term Debtors | 729,575 |
| **501,316** | **Total Current Assets** | **729,575** |
| | **Current Liabilities** | |
| (317,106) | Cash and Cash Equivalents | (588,239) |
| (184,210) | Short Term Creditors | (141,336) |
| **(501,316)** | **Total Current Liabilities** | **(729,575)** |
| **0** | **Total Net Assets** | **0** |

***CASH FLOW STATEMENT***

The Cash Flow Statement shows the changes in cash and cash equivalents of the WPP during the reporting period.

| 2021/22 (£) | Description | 2022/23 (£) |
|---|---|---|
| | **Cashflow from operating activities** | |
| 0 | Net (surplus) / deficit on the provision of services | 0 |
| | **Adjustments for:** | |
| (119,549) | (Increase) in trade and other debtors | (228,259) |
| (9,372) | Increase in trade and other creditors | (42,874) |
| **(128,921)** | **Net Cash from operating activities** | **(271,132)** |
| | **Net (Increase) / Decrease in cash and cash equivalents** | |
| (188,185) | Cash & Cash Equivalents as at 1 April | (317,106) |
| (317,106) | Cash & Cash equivalents as at 31 March | (588,238) |
| **(128,921)** | **Cash and cash equivalents as at 31 March** | **(271,132)** |

***NOTES TO THE ACCOUNTS***

***Statement of Accounting Policies***

***General***

The Statement of Accounts summarises the transactions of the Wales Pension Partnership (WPP) for the 2022/23 financial year and its position at the year ended 31 March 2023. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

***Going Concern***

The Financial Statements have been prepared on a going concern basis.

***Accruals of Income and Expenditure***

Financial Statements have been prepared under the Accruals concept of accounting which requires that both income and expenditure must be recognised in the accounting periods to which they relate rather than on a cash basis.

***Cash and Cash Equivalents***

The WPP itself does not operate or control its own individual bank account. Carmarthenshire County Council in its role as the Host Authority administers all cash and cash equivalent transactions on behalf of the WPP.

***Provisions, Contingent Assets and Liabilities***

The WPP have not recognised any provisions, contingent assets or contingent liabilities in the accounts.

***Value Added Tax (VAT)***

Transactions are shown net of VAT, all VAT is accounted for by Carmarthenshire County Council.

***Employee Benefits***

Direct employees supporting the activities of the WPP are contractually employed by Carmarthenshire County Council, with additional support being provided by Carmarthenshire on a recharge methodology. Employee remuneration costs will be disclosed within the Financial Statements of Carmarthenshire County Council.

***Investments***

No investments are held directly with the WPP. The sub funds opened as part of the pooling arrangement sit within the financial statements of the respective pension funds. The Operator costs and other fees relating to these investments are shared between the eight LGPS Funds based on their individual percentage share of WPP assets and are deducted directly from the Net Asset Value (NAV). These are not cash transactions.

***Short Term Debtors***

| 2021/22 (£) | Description | 2022/23 (£) |
|---|---|---|
| 499,432 | Constituent Authorities | 728,639 |
| 1,885 | Prepayments | 936 |
| **501,316** | **Total Short-Term Debtors** | **729,575** |

***Short Term Creditors***

| 2021/22 (£) | Description | 2022/23 (£) |
|---|---|---|
| 5,448 | Trade Creditors | 30,878 |
| 178,762 | Accruals | 110,458 |
| **184,210** | **Total Short-Term Creditors** | **141,336** |

***Audit Costs***

In 2022/23 the WPP incurred the following fees relating to financial audit and inspection, payable to the Wales Audit Office.

| 2021/22 (£) | Description | 2022/23 (£) |
|---|---|---|
| 5,663 * | Audit Fees | 5,918 |
| **5,663** | **Total External Audit Fees** | **5,918** |

* restated

***Related Party Transactions***

WPP is required to disclose material transactions between partners, bodies, individuals or related parties, that could potentially influence the decisions of the JGC or be influenced by the JGC. The WPP has arrangements in place requesting members and Officers to identify and disclose related party transactions. These interests are declared and assessed at the start of each JGC meeting.

Any transactions between parties outlined above will require disclosure to allow the users of these Financial statements to assess the extent to which the JGC's independence could potentially be impaired or influenced by another party's ability to transact with the Committee.

During 2022/23 Carmarthenshire County Council, as Host Authority for the WPP raised debtor invoices to all eight LGPS pension funds to recover the running costs of the WPP, as detailed in the CIES. The tables below show the total value of transactions raised during 2022/23 and the debtor balances outstanding as at 31 March 2023.

| 2021/22 (£) | Description | 2022/23 (£) |
|---|---|---|
| 134,689 | Cardiff & Vale of Glamorgan Pension Fund | 158,055 |
| 134,689 | Clwyd Pension Fund | 158,055 |
| 134,689 | Dyfed Pension Fund | 158,055 |
| 134,689 | Gwynedd Pension Fund | 158,055 |
| 134,689 | Powys Pension Fund | 158,055 |
| 134,689 | Rhondda Cynon Taf (RCT) Pension Fund | 158,055 |
| 134,689 | City and County of Swansea Pension Fund | 158,055 |
| 134,689 | Greater Gwent (Torfaen) Pension Fund | 158,055 |
| **1,077,511** | **Total Related Party Transactions** | **1,264,442** |

| 2021/22 (£) | Description | 2022/23 (£) |
|---|---|---|
| 71,347 | Cardiff & Vale of Glamorgan Pension Fund | 103,893 |
| 71,347 | Clwyd Pension Fund | 103,893 |
| 71,347 | Gwynedd Pension Fund | 103,893 |
| 71,347 | Powys Pension Fund | 103,893 |
| 71,347 | Rhondda Cynon Taf (RCT) Pension Fund | 103,893 |
| 71,347 | City and County of Swansea Pension Fund | 103,893 |
| 71,347 | Greater Gwent (Torfaen) Pension Fund | 103,893 |
| **499,432** | **Related Party Transactions outstanding at year end** | **727,251** |

Carmarthenshire County Council charged the WPP for administration and support services during 2022/23. Invoices have also been received from Cyngor Gwynedd for services they have provided in the form of translation services. The table below shows the value of these services and the creditor balances outstanding as at 31 March 2023.

| Related Party Transactions - Creditors | Value of services provided during 2022/23 £ | Balance outstanding as at 31 March 2023 £ |
|---|---|---|
| Carmarthenshire County Council | 151,200 | 0 |
| Cyngor Gwynedd | 5,200 | 864 |
| **Total** | **156,400** | **864** |

The Director of Corporate Services and the Monitoring Officer are both Senior Officers within Carmarthenshire County Council.

***Prior Period Adjustment***

No Prior Period adjustments were made during the financial year 2022/23.

# Investments and Performance

The WPP's Constituent Authorities have total assets of circa £22.5bn (as at 31 March 2023), £10.6bn of which are invested in WPP's existing sub-funds, outlined in the table below.

| Sub Fund | Asset Value * | Managed by | Performance Benchmark | Participating Funds ** | Underlying Investment Managers |
|---|---|---|---|---|---|
| Global Growth | £3.3 bn | Link Fund Solutions | MSCI ACWI ND | RCT 47%<br>Dyfed 30%<br>Gwynedd 13%<br>Cardiff 6%<br>Powys 4% | Baillie Gifford, Veritas and Pzena |
| Global Opportunities | £3.3 bn | Russell Investments | MSCI ACWI ND | Swansea 39%<br>Torfaen 16%<br>Cardiff 16%<br>Gwynedd 16%<br>RCT 12%<br>Clwyd 4% | Morgan Stanley, Numeric, Sanders, Jacobs Levy, SW Mitchell, Nissay, Intermede and Oaktree |
| UK Opportunities | £0.760 bn | Russell Investments | FTSE All Share | Cardiff 68%<br>Torfaen 32% | Liontrust (Majedie), Lazard, Baillie Gifford, Ninety-One, J O Hambro and Liontrust |
| Emerging Markets | £0.355 bn | Russell Investments | MSCI Emerging Markets | Clwyd 33%<br>Cardiff 31%<br>Torfaen 19%<br>Gwynedd 16%<br>Powys 1% | Artisan, Bin Yuan, Barrow Hanley, Axiom, Numeric and Oaktree |
| Global Credit | £0.694 bn | Russell Investments | Bloomberg Barclays Global Aggregate Credit Index (GBP Hedged) | Torfaen 35%<br>Dyfed 33%<br>Cardiff 28%<br>Powys 4% | Western, Metlife, Fidelity and T Rowe Price |
| Global Government | £0.482 bn | Russell Investments | FTSE World Government Bond Index | Torfaen 52%<br>Cardiff 48% | Bluebay and Colchester |
| Multi-Asset Credit | £0.655 bn | Russell Investments | 3 Month GBP SONIA plus 4% | Clwyd 35%<br>Gwynedd 29%<br>Cardiff 22%<br>Swansea 9%<br>Powys 5% | ICG, Man GLG, BlueBay, Barings and Voya |
| UK Credit Fund | £0.521 bn | Link Fund Solutions | ICE BofA ML Eur-Stg plus 0.65% | RCT 100% | Fidelity |
| Absolute Return Bond Fund | £0.559 bn | Russell Investments | 3 month GBP SONIA plus 2% | Gwynedd 69%<br>Powys 19%<br>Swansea 12% | Wellington, Putnam, Aegon and Insight |

* Asset Under Management (AUM) value as at 31 March 2023
** % holdings as at 31 March 2023

In addition to the sub-funds outlined above the WPP's Constituent Authorities also hold passive investments with BlackRock Asset Management. The Constituent Authorities' passive investments are effectively within the Pool but are held by the respective WPP Authorities in the form of insurance policies. The passive investments are as follows:

| Constituent Authority | Asset Value as at 31/3/23 | % of each Constituent Authorities' assets |
|---|---|---|
| Cardiff & Vale of Glamorgan | £0.591 bn | 22% |
| Dyfed | £1.259 bn | 40% |
| Gwynedd | £0.786 bn | 29% |
| Powys | £0.226 bn | 29% |
| RCT | £0.662 bn | 16% |
| Swansea | £0.647 bn | 22% |
| Greater Gwent (Torfaen) | £0.903 bn | 24% |
| **Total** | **£5.074 bn** | |

During 2023/24, the WPP will be launching the Private Debt, Infrastructure and Private Equity Investment programmes, as well as a Sustainable Active Equity sub-fund.

***Investment Performance***

| | WPP 12-month performance to the 31 March 2023 (Net of Fees) | | | |
|---|---|---|---|---|
| | **Inception Date** | **Fund %** | **Benchmark %** | **Relative %** |
| **Equity sub-funds** | | | | |
| Global Growth | 6 February 2019 | (0.90) | (1.43) | 0.53 |
| Global Opportunities | 14 February 2019 | 0.28 | (1.43) | 1.71 |
| UK Opportunities | 11 October 2019 | 4.23 | 2.92 | 1.31 |
| Emerging Markets | 29 October 2021 | (3.62) | (3.48) | (0.14) |
| **Fixed Income sub-funds** | | | | |
| UK Credit | 19 August 2020 | (9.38) | (9.58) | 0.20 |
| Global Government Bond | 19 August 2020 | (5.10) | (6.62) | 1.52 |
| Global Credit | 20 August 2020 | (8.43) | (6.56) | (1.87) |
| Multi-Asset Credit Fund | 11 August 2020 | (6.23) | 6.36^ | |
| Absolute Return Bond | 30 September 2020 | 2.07 | 4.32^ | |

*Source: Northern Trust report as at 31 March 2023*

^ These represent the performance targets of the Mutil-Asset Credit and Absolute Return Bond Funds

The table above represents sub funds over the past 12 months which is considered too short a period over which to evaluate investment performance. Longer term investment performance is the priority, and this is monitored and evaluated to ensure the ongoing suitability of all sub funds.

The Equity sub-funds outperformed their benchmarks, except for Emerging Markets, which underperformed in a difficult market environment. Global equity markets were volatile with investors anticipating a prolonged higher interest rate environment and negative economic growth as central banks combatted persistently high inflation. The ongoing war in Ukraine and Covid-19 restrictions in China were further market headwinds early in the period. However, market conditions improved in the latter half of the period with investors encouraged by signs that inflation was being tamed and China's abandonment of its "zero-covid" policy. The US Federal Reserve (Fed), Bank of England (BoE) and European Central Bank sharply hiked rates over the period.

The value factor outperformed, aided by the performance of large cap value names. Growth underperformed value although the factor performed notably well in the final quarter of the period as investor rate hike expectations moderated. Overall, large capitalisation stocks outperformed small and mid-cap stocks. High dividend yield stocks also outperformed. The WPP Global Opportunities sub-fund benefitted from strong individual stock selection and a tilt towards the value factor. Within the UK Opportunities sub-fund, strong stock selection within the communication services sector contributed to excess relative returns. Underweight positioning and positive selection within the financials, real estate and utilities sectors was also rewarded. Emerging markets suffered their worst quarters since the first quarter of 2020 in the second and third quarters of 2022. Over the period, although the Emerging Market sub-fund benefitted from positioning and selection within Mexico (overweight) and India (underweight) an underweight to and negative selection within China more broadly weighed on relative returns.

It was a volatile and negative period for fixed income markets. The WPP UK Credit and Global Government Bond sub-funds outperformed their benchmarks while the Multi-Asset Credit and Absolute Return Bond sub-funds lagged their interest rate performance targets. Global credit markets outperformed other areas of fixed income over the period. However, spreads broadly widened, particularly within high yield credit. This did not suit the Global Credit sub-fund's US credit exposure, particularly among high yield industrials and investment grade financials. Within the Multi-Asset Credit sub-fund, the overweight to high yield was also ineffective although exposure to US securitised debt was helpful. Government bond yields increased with the benchmark 10-year US Treasury yield climbing 113 basis points (bps) to 3.47% in a period where the Fed raised interest rates eight times, from 0.50% to 5.0%. In this environment, the Global Government Bond sub-fund benefitted from its underweight to US duration. In the UK, the BoE was forced to intervene in September 2022 after benchmark 10-year gilt yields surged following (then) Chancellor Kwasi Kwarteng's unexpected and unfunded tax cut proposals. The UK 10-year gilt yield peaked at its highest since November 2008 (4.50%). Market conditions improved in the latter half of the period as Rishi Sunak became the new Prime Minister, the economy narrowly avoided recession and data suggested inflation may have peaked. The Global Government Bond sub-fund benefitted from its duration positioning within Europe and the UK, while the Absolute Return Bond sub-fund's short duration positions within Germany and the UK were rewarded

The Officers Working Group receives quarterly, six monthly and annual performance reports. The Group reviews and challenges the performance of Investment Managers on behalf of the WPP. The Constituent Authorities also carry out their own analysis of WPP's investment performance at a local level, this will include manager attendance at Pension Committees. Furthermore, the Investment Managers of the Sub-Funds hold quarterly investors calls where members of the OWG are able to challenge the Investment Manager and the underlying Managers.

The OWG is always looking at ways to develop investment performance monitoring mechanisms with a key focus on ESG and Climate Risk metrics. Hymans Robertson produce quarterly Climate Risk and ESG reports for the equity and fixed income sub funds which draw on third party climate and ESG data. This allows the RI Working Group to scrutinise present portfolio positioning, benchmark portfolios against index comparators and determine the actions that need to be taken. These reports are presented to the OWG and JGC on a quarterly basis.

# Pooling Costs and Fee Savings

There are various costs associated with pooling; there are transition costs which are one-off costs that occur at the point when the funds are transitioned into the sub-funds and there are also annual running costs. The transition costs for the sub funds which have been pooled as at 31 March 2023 are shown in the table below:

| Sub-Funds | Explicit * £000's | Implicit ** £000's | Total Transition Costs £000's | Year charge occurred |
|---|---|---|---|---|
| Global Equities | 2,197 | 15,009 | 17,206 | 2018/19 |
| UK Equities | 1,080 | 3,580 | 4,660 | 2019/20 |
| Fixed Income | 817 | 7,566 | 8,383 | 2020/21 |

* Explicit costs include transition manager fees, trading commissions and taxes.

** Implicit costs include opportunity costs and market impact.

There were no transition costs in 2022/23.

The total annual running costs for 2022/23 equates to £5,161k which includes the host authority and external provider costs.

Through pooling and economies of scale, lower Investment Management fees have resulted in cost savings for Constituent Authorities. The table below illustrates the annual cost savings for WPP's Global Equity Sub-Funds, UK Opportunities Equity Sub-Fund, Emerging Markets Sub-Fund and the Fixed Income Sub-Funds:

| | Asset Value as at 31/3/23 £000's | Gross Annual Savings * £000's | Savings as a % of Asset Value |
|---|---|---|---|
| Global Equities | 6,546,047 | 7,466 | 0.11% |
| UK Equities | 760,446 | 395 | 0.05% |
| Emerging Markets | 355,136 | 938 | 0.26% |
| Fixed Income | 2,911,057 | 108 | < 0.01% |
| **Total** | **10,572,686** | **8,907** | **0.08%** |

* Please note that Gross figures do not include the transition and running costs

The data above shows that although there are high initial costs for transitioning individual fund's assets into the pool, the annual savings far outweighs the annual running costs, £3,746k (£8,907k less £5,161k) in 2022/23 (excluding transition costs).

Passive Investments, as detailed on page 25 also provides a total fee saving of c£2m per annum.

# Responsible Investment

Responsible Investment (RI) – alongside consideration and evidential management of ESG issues – has been a key priority for the WPP since we were established in 2017. Various activities have been carried out over the year to embed RI practices in all that we do, which we believe will result in better outcomes for the Pool's stakeholders. Through Hymans Robertson, for 2022/23, we have increased our resourcing in this area by having a dedicated RI specialist who works closely with the WPP on all RI related matters and represent the WPP at external events.

We are delighted to confirm that the Pool was successful in its second annual submission to be a UK Stewardship Code signatory (for the reporting year to 31 March 2022), with further progress in this area helping maintain our signatory status. Work on the 2022/23 report is already underway, with submissions to take place by the end of October 2023.

The WPP RI Sub-Group was established in 2020, in order to support the development and implementation of the WPP's overall RI activity and policies. Over the reporting period, the RI Sub-Group carried out various activities and discussions, including:

- Formulating an Annual WPP RI Workplan that allows the WPP to progress its RI objectives, including training needs
- Working with WPP's appointed investment managers, Voting & Engagement (V&E) provider, advisers and other service providers to ensure that WPP's RI, Voting and Climate Risk policies are effectively implemented
- Reviewing our RI, Voting and Climate Risk policies – with input from our service providers – to ensure they continue to meet the Pool's needs
- Reviewing the objectives of the WPP, by adding a sustainability-related objective. The objectives guide the way in which WPP is governed and operates, so adding an objective that acknowledges the need to embed the delivery of long-term sustainable investment outcomes into WPP's decision-making is an important evolution
- Monitoring RI activity, including ESG metrics and V&E reporting, and challenging where necessary
- Considering market and regulatory developments to ensure that WPP can take evolving best practice into account, as well as responding to relevant government consultations
- Discussions on climate goals, including decarbonisation objectives and started working on an all-Wales climate report
- Discussions on WPP private-markets mandates, including how stewardship and RI will be incorporated in these mandates
- Discussions on relevant ESG themes, including the establishment of a stewardship themes framework to help better feed into the engagement-theme selection process of WPP's V&E provider. Themes discussed included: human rights; the Occupied Palestinian Territories; the living wage; modern slavery
- Discussions around responsible securities lending, including around recalling stock for voting purposes
- Representing the WPP on RI matters, including acting as a spokesperson in external forums and in discussion with non-profits, such as our annual discussion with Friends of the Earth Cymru

Significant work was carried out in the development of new investment vehicles for WPP, including the Sustainable Active Equity Sub-Fund, which launched following year-end, and on private markets, including infrastructure and private debt. RI will remain in focus within these Sub-Funds; for example, the Sustainable Active Equity Sub-Fund has a specific net-zero goal, while part of the focus within the private-markets Sub-Funds will be on facilitating investment in climate solutions.

Climate risk generally continued to be a particular focus for WPP, with work initiated on an all Wales climate report. This work will help WPP prepare for upcoming reporting requirements in line with TCFD and will provide the basis of discussions around transition planning and the establishment of a common climate goal.

As part of its commitment to stewardship, Robeco continued to provide the WPP's V&E function, implementing voting across WPP's active equity portfolio, while also carrying out engagement activity across all the Pool's active Sub-Funds, as well as the BlackRock passive funds. In order to better meet the reporting needs of each underlying Pension Fund within the Pool, Robeco introduced Sub-Fund-specific quarterly voting reports at the start of 2022. With the help of its advisor, WPP has also developed a reporting tool that will provide Sub-Fund-specific engagement data on a quarterly basis. Progress in this area will help better meet the reporting needs of the underlying Constituent Authorities and wider stakeholders, with a new quarterly RI report developed that will be made available for pension committees.

The WPP has also worked with its service providers to enhance its stewardship goals, including discussions on recalling stock for proxy voting purposes and implementing an escalation strategy in cases of failed engagement.

# Communications & Engagement

The WPP has a communication policy in place which sets out how the WPP will carry out its internal and external communication strategies. WPP recognises that failure to communicate effectively poses a material risk to the WPP and the best interests of the WPP's stakeholders, the consequences of which may include miscommunication, poor decision making and delayed timescales.

The WPP believes in being open and transparent as well as regularly engaging with its key stakeholders. As such, the WPP ensures that the Joint Governance Committee meetings are accessible to the public via a live webcast stream and meeting papers are made publicly available. Regular Local Pension Board engagement days are also being held as a means of fostering stakeholder engagement. During the year, we continued to deliver against our engagement protocols which ensures the continued engagement and collaboration amongst the WPP's Constituent Authorities and providers, this is carried out via the following engagement mechanisms:

| Engagement mechanisms | Frequency |
|---|---|
| Strategic Relationship Review meeting | Bi-Annual |
| JGC Engagement | Quarterly |
| Manager Performance Meetings/ Calls | Quarterly |
| Training Events | Quarterly |
| OWG Engagement | Quarterly |
| Bi-Weekly Meetings | Every 2 Weeks |
| Pension Fund Committees | Annual |
| Manager Engagement Days | Annual |
| Member Communications | Annual |
| Pension Board Engagement | Bi-Annual |
| Engagement via the website & LinkedIn | Continuous |

These engagements are carried out via a blend of in person, virtual and hybrid meetings.

The WPP website is regularly updated and remains an excellent tool to: learn and understand more about the pool; keep track of our recent activities; and discover our policies, procedures and governance arrangements. The website can be found here: **https://www.walespensionpartnership.org/**

WPP also has a LinkedIn page which is regularly updated:
**https://www.linkedin.com/company/wales-pension-partnership-wpp/**

The WPP will continue to review and develop its communication and engagement methods.

# Training

The WPP has a training policy which sets out the WPP's approach to training and requirements. The policy outlines the strategy that WPP has put in place to ensure that its personnel and decision makers have the required knowledge base to fulfil their roles and make decisions that will deliver the best possible outcomes for the WPP's stakeholders. WPP's training policy and annual training plans are designed to supplement existing Constituent Authority training, it is not intended to replace or override the need for and importance of local level training. Local level training needs will continue to be addressed by the Constituent Authorities while the WPP will offer training that is relevant to the WPP's pooling activities.

During 2022/23, the WPP continued to hold its training sessions virtually with four training events being held over the year. They were open to Constituent Authority Pension Committee and Pension Board members, as well as Officers and JGC members, with excellent attendance at all sessions. The topics covered during 2022/23 were:

- Private Market Asset Classes & the role of the Allocator
- Active Sustainable Equities
- Pool Knowledge – Governance & Administration
- Pool Knowledge – Roles & Responsibilities
- What RI means for the WPP
- Stewardship Code and TCFD Reporting
- Progress of other LGPS Pools
- Collaboration Opportunities

Additional Stock Lending training was also provided to the OWG and JGC members and Induction training provided to the four new JGC members.

In December 2022 a training requirements questionnaire/ assessment was issued to all JGC members and Officers. The topics outlined below are based on current WPP topical priorities and from an analysis of the WPP training requirements questionnaire/ assessment responses.

During 2023/24 the WPP will facilitate training on the following topics:

- Product Knowledge
    - Private Market Asset Classes – Private Equity / Property
    - Levelling up / development opportunities
- Reporting
    - TCFD Reporting
    - Performance Reporting
- Responsible Investment (RI)
    - Voting & Engagement
    - RI within the WPP sub funds
- Market Understanding & Regulatory Requirements
    - Progress of other LGPS pools & Collaboration Opportunities
    - Pooling Guidance

The Training Policy and full WPP Training Plan for 2023/24 can be found on the WPP website.

# Conclusion

As you can see the WPP has had another very productive year. We would like to thank all of the WPP's Personnel, the Constituent Authorities, advisors and providers who have made this possible. The Officers Working Group and Joint Governance Committee also deserve a special mention for their work and support throughout the year.

Whilst it is important to recognise the achievements of the last 12 months our focus has already shifted to the 12 months ahead. The work due to be carried out over the next 12 months, will see the WPP continue to develop further as a Pool so that it can continue to meet and facilitate the interests and needs of the Constituent Authorities.

A workplan of the areas that WPP will focus on during 2023/24 has been developed and forms part of our 2023-2026 business plan which is available on our website.

Particular highlights over the next year will include:

- Launching the Sustainable Equity Sub-fund
- Launching the Private Equity Investment programme and further develop WPP's property requirements
- Maintain signatory to the UK Stewardship Code and commence TCFD reporting
- Evolve WPP's Stewardship Policy towards a more-encompassing Stewardship Policy, with plans to establish an appropriate Escalation Policy
- Procurement of the Operator contract

We hope you enjoyed this year's Annual Report, and we look forward to being able to provide you with a further update next year. Further information on the WPP and ongoing updates on the WPP's progress can be found on the website and LinkedIn page.

# Contact Details

If you require further information about anything in or related to this business plan,

please contact the Wales Pension Partnership:

Postal Address - Wales Pension Partnership

Carmarthenshire County Council

Treasury & Pension Investments Section

County Hall

Carmarthen

SA31 1JP

E-mail - WalesPensionPartnership@carmarthenshire.gov.uk

Further information on the WPP and ongoing updates on the WPP's progress can be found on the website and LinkedIn page.

The website and LinkedIn page can be found here:

**https://www.walespensionpartnership.org/**

**https://www.linkedin.com/company/wales-pension-partnership-wpp/**

Partneriaeth Pensiwn Cymru

Wales Pension Partnership

Cyngor Abertawe
Swansea Council

**Report of the Section 151 Officer**

**Pension Fund Committee – 15 November 2023**

# Breaches Report

| | |
|---|---|
| **Purpose:** | The report presents any breaches which have occurred in the period in accordance with the Reporting Breaches Policy. |
| **Report Author:** | Claire Elliott |
| **Finance Officer:** | Jeff Dong |
| **Legal Officer:** | Stephanie Williams |
| **Access to Services Officer:** | N/A |
| **For Information** | |

## 1. Introduction

1.1 The Reporting Breaches policy was adopted with effect from 9 March 2017.

1.2 The policy requires a report to be presented to the Pension Board and Pension Fund Committee on a quarterly basis, highlighting any new breaches which have arisen since the previous meeting and setting out:

- all breaches, including those reported to The Pensions Regulator and those unreported, with the associated dates
- in relation to each breach, details of what action was taken and the result of any action (where not confidential)
- any future actions for the prevention of the breach in question being repeated

1.3 Following the introduction of GDPR requirements and the requirements to report any breaches to the Information Officer and ICO, if required, it has been determined good practice and transparent to also include GDPR breaches also within this report

## 2. Breaches

2.1 Under the policy, breaches of the law are required to be reported to the Pensions Regulator where there is reasonable cause to believe that:

- A legal duty which is relevant to the administration of the scheme has not been, or is not being, complied with

- The failure to comply is likely to be of material significance to the regulator in the exercise of any of its functions

2.2 The Breaches Report is attached at Appendix A and the following further information is provided.

2.3 Under the LGPS regulations, interest is paid on retirement lump sum payments if the payment is made more than one month after retirement and calculated at one per cent above the base rate on a day to day basis from the due date of payment and compounded with three-monthly rests.

2.4 Since the last report in September 2023, 16% of retirement lumps sums have not been paid within the benchmark (it should be noted that 100% of payments were made within 1 month when all documentation was received). The % of non-payment of retirement lump sums within the specified benchmark was due to the members not returning completed pension election forms within a timely manner. Communication sent to members at time of retirement has been reviewed to ensure that the importance of timely return of required documents is highlighted and reminder triggers put in place.

2.5 The basic objective of the General Data Protection Regulation (GDPR) is to enforce stronger data security and privacy rules among organisations when it comes to protecting an individual's personal data. The UK legislation is the Data Protection Act 2018 and mirrors many key principles of the Data Protection Act 1998. Where a breach of a member's personal data happens (a breach of personal data means that a security breach has taken place leading to the accidental or unlawful destruction, loss, alteration, unauthorised disclosure of, or access to personal data, transmitted, stored or otherwise processed. [GDPR Article 4(12)]), the Pension Fund (who complies with Swansea Council GDPR Principles) has an obligation to undertake a full investigation within the initial 72-hours of acknowledging a data breach. When the Fund becomes aware of a breach, the appropriate investigation takes place within the stipulated timeframe and the findings presented to the Data Breach Panel for review. The requirements presented for improved working practices by the Data Breach Panel the Fund has incorporated within the day-to-day working practices. There has been no GDPR breach since last reporting date

2.6 The Fund requires that employers pay employee and employer contributions to the Fund on a monthly basis and no later than the 19th of the month after which the contributions have been deducted. There have been a single instance during the reporting period where breaches have occurred. In this case, Treasury Management staff have written to the employers to request payment and provide a reminder of the responsibilities to submit on time.

2.7 With regards to performance data in respect of processing refunds, in most cases, the sums are quite small and the problem is locating the member/former member to process the refund, quite often they may have moved address or even passed away.

## 3. Integrated Impact Assessment Implications

The Council is subject to the Equality Act (Public Sector Equality Duty and the socio-economic duty), the Well-being of Future Generations (Wales) Act 2015 and the Welsh Language (Wales) Measure, and must in the exercise of their functions, have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Acts.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.
- Deliver better outcomes for those people who experience socio-economic disadvantage.
- Consider opportunities for people to use the Welsh language.
- Treat the Welsh language no less favourably than English.
- Ensure that the needs of the present are met without compromising the ability of future generations to their own needs.

The Well-being of Future Generations (Wales) Act 2015 mandates that public bodies in Wales must carry out sustainable development. Sustainable development means the process of improving the economic, social, environmental and cultural well-being of Wales by taking action, in accordance with the sustainable development principle, aimed at achieving the 'well-being goals'.

Our Integrated Impact Assessment (IIA) process ensures we have paid due regard to the above. It also takes into account other key issues and priorities, such as poverty and social exclusion, community cohesion, carers, the United Nations Convention on the Rights of the Child (UNCRC) and Welsh language.

There are no equality impact implications arising from this report.

## 4 Legal Implications

4.1 Where breaches have occurred, the legal implications are outlined in Code of Practice no.14 and GDPR legislation

## 5. Financial Implications

5.1 Minimal loss of investment income and a possible penalty charge from TPR.

**Background papers:** None.

**Appendices:** Appendix A: Breaches Register.

Appendix A - City and County of Swansea Breaches Register

| Date | Category (e.g. administration, contributions, funding) | Description and cause of breach | Possible effect of breach and wider implications | Reaction of relevant parties to breach | Reported / Not reported (with justification if not reported and dates) | Outcome of report and/or investigations | New Breach (since last report) |
|---|---|---|---|---|---|---|---|
| July – August 2022 | Administration | Frozen refunds unclaimed for this period equates to 84.37% …. This equates to a monetary value of £12,043.54 | Regulations state, no further interest will accrue on or after 5-year anniversary. Should the member enter re-employment membership cannot be aggregated, the member will not be able to transfer the benefit out and if a refund is claimed there will be tax implications as this is deemed to be an unauthorised payment. The above is subject to change and we are waiting for confirmation that the above | High % due to member not making a positive election to claim refund | Information has been recorded within the breach register | Members are written to 3 months prior to the date of their 5-year anniversary from date of leaving | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | Regulation has been amended to support this. **Awaiting confirmation of Regulatory change; going forward there will be no further requirement to report non-payment of refunds as the 5-year anniversary ruling will be removed** | | | | |
| July – August 2022 | GDPR | No breaches to report | | | | | |
| July – August 2022 | Contributions | | Loss of investment returns | Employers are contacted once breach has occurred | | Employers are contacted as soon as the deadline for submission of contributions has passed | |
| September – October 2022 | Administration | 14.29% of retirement lump sums not paid within 1 month of normal retirement or 2 months of early retirement; 100% was paid | The administering authority has accrued interest payments on retirement lump sums, paid more than one month after their due | % due to a delay with the return of the completed pension options (total number 3) | | The Fund continues to remind its members of the importance of returning pension option forms in a timely manner | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | within 1 month of receipt of member option return | date, under the 2013 LGPS regulations | | | | |
| September – October 2022 | Administration | Frozen refunds unclaimed for this period is 89.19% …. This equates to a monetary value of £14,786.48 | Regulations state, no further interest will accrue on or after 5-year anniversary. Should the member enter re-employment membership cannot be aggregated, the member will not be able to transfer the benefit out and if a refund is claimed there will be tax implications as this is deemed to be an unauthorised payment. The above is subject to change and we are waiting for confirmation that the above Regulation has been amended to support this. **Awaiting** | High % due to member not making a positive election to claim refund | Information has been recorded within the breach register | Members are written to 3 months prior to the date of their 5-year anniversary from date of leaving | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | **confirmation of Regulatory change; going forward there will be no further requirement to report non-payment of refunds as the 5-year anniversary ruling will be removed** | | | | |
| September – October 2022 | GDPR | No breaches to report | | | | | |
| September – October 2022 | Contributions | 2 Employers have not paid contributions within required timescale – see below for detail | Loss of investment returns | Employers are contacted once breach has occurred | | Employers are contacted as soon as the deadline for submission of contributions has passed | |
| November 2022 – February 2023 | Administration | 28.17% of retirement lump sums not paid within 1 month of normal retirement or 2 months of early retirement; 100% was paid within 1 month of receipt of member option return | The administering authority has accrued interest payments on retirement lump sums, paid more than one month after their due date, under the 2013 LGPS regulations | % due to a delay with the return of the completed pension options/late provision of pensionable pay figures by the members employer | | The Fund continues to remind its members/employers of the importance of returning pension option forms/final pensionable pay figures in a timely manner | ✓ |
| November | Administration | Frozen refunds | Regulations | High % due to | Information has | Members are | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 2022 – February 2023 | | unclaimed for this period is 37.10% …. This equates to a monetary value of £11,337.43 | state, no further interest will accrue on or after 5-year anniversary. Should the member enter re-employment membership cannot be aggregated, the member will not be able to transfer the benefit out and if a refund is claimed there will be tax implications as this is deemed to be an unauthorised payment. The above is subject to change and we are waiting for confirmation that the above Regulation has been amended to support this. **Awaiting confirmation of Regulatory change; going forward there will be no** | member not making a positive election to claim refund | been recorded within the breach register | written to 3 months prior to the date of their 5-year anniversary from date of leaving | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | **further requirement to report non-payment of refunds as the 5-year anniversary ruling will be removed** | | | | |
| November 2022 – February 2023 | GDPR | No breaches to report | | | | | |
| November 2022 – February 2023 | Contributions | 2 | 2 Employers have not paid contributions within required timescale – see below for detail | Loss of investment returns | | Employers are contacted as soon as the deadline for submission of contributions has passed | |
| March 2023 – June 2023 | Administration | 17.77% of retirement lump sums not paid within 1 month of normal retirement or 2 months of early retirement; 100% was paid within 1 month of receipt of member option return | The administering authority has accrued interest payments on retirement lump sums, paid more than one month after their due date, under the 2013 LGPS regulations | % due to a delay with the return of the completed pension options/late provision of pensionable pay figures by the members employer | | The Fund continues to remind its members/employers of the importance of returning pension option forms/final pensionable pay figures in a timely manner | |
| March 2023 – June 2023 | Administration | Frozen refunds unclaimed for this period is 91.03% …. This equates to a | Regulations state, no further interest will accrue on or after 5-year | High % due to member not making a positive election to claim refund | Information has been recorded within the breach register | Members are written to 3 months prior to the date of their 5-year anniversary from | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | monetary value of £20,258 | anniversary. Should the member enter re-employment membership cannot be aggregated, the member will not be able to transfer the benefit out and if a refund is claimed there will be tax implications as this is deemed to be an unauthorised payment. The above is subject to change and we are waiting for confirmation that the above Regulation has been amended to support this. **Awaiting confirmation of Regulatory change; going forward there will be no further requirement to report non-payment of** | | | date of leaving | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | **refunds as the 5-year anniversary ruling will be removed** | | | | |
| March 2023 – June 2023 | GDPR | No breaches to report | | | | | |
| March 2023 – June 2023 | Contributions | 3 | 3 Employers have not paid contributions within required timescale – see below for detail | Loss of investment returns | | Employers are contacted as soon as the deadline for submission of contributions has passed | |
| July – August 2023 | Administration | 4.55% (1 in total) of retirement lump sums not paid within 1 month of normal retirement. 100% of lump sum payments were made within 2-months of early retirement. 100% of lump sum payments were processed within 1 month of receipt of fully completed pension options | The administering authority has accrued interest payments on retirement lump sums, paid more than one month after their due date, under the 2013 LGPS regulations. | % due to a delay with the provision of final pensionable pay figures by the members employer. As a result of this completed pension options were received outside of the 1-month timeframe by a matter of days. | | The Fund continues to remind its employers of the importance of providing final pensionable pay figures in a timely manner. | ✓ |
| July – August 2023 | Administration | Frozen refunds unclaimed for this period is | Regulations state, no further interest will | High % due to member not making a positive | Information has been recorded within the | Members are written to 3 months prior to the date of | ✓ |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | 83.87% …. This equates to a monetary value of £14,390.73 | accrue on or after 5-year anniversary. Should the member enter re-employment membership cannot be aggregated, the member will not be able to transfer the benefit out and if a refund is claimed there will be tax implications as this is deemed to be an unauthorised payment. The above is subject to change and we are waiting for confirmation that the above Regulation has been amended to support this. **Awaiting confirmation of Regulatory change; going forward there will be no further requirement to** | election to claim a refund of pension contributions within the 5-year timeframe | breach register | their 5-year anniversary from date of leaving | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | **report non-payment of refunds as the 5-year anniversary ruling will be removed** | | | | |
| July – August 2023 | GDPR | A possible data breach was investigated and recorded during the month of August | Data breach happened because a staff member failed to complete a process in its entirety. | Training procedures are in place for all tasks actioned. In this instance a staff member updated a members address on our database however during the process the member status i.e. a pensioner member was not identified. The training procedure clearly states that when a member status is listed as a pensioner member, we are obliged to inform Pension Payroll of this change. Unfortunately, the final stage of the process was not adhered to which resulted in three separate hardcopy correspondence | The breach was reported to a Data Protection Officer for Swansea Council for consideration. Following a review of all of the information presented it was determined that the data breach did not reach the threshold for reporting to the ICO. The judgement is based on the risk to the data subject being minimal | Recommendation received from the DPO was to remind staff members of the process guidelines documented with the Change of Address procedure. | ✓ |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | containing being sent to the members previous address. | | | |
| July – August 2023 | Contributions | 2 | 2 Employers have not paid contributions within required timescale – see below for detail | Loss of investment returns | | Employers are contacted as soon as the deadline for submission of contributions has passed | |
| Sept – October 2023 | Administration | 16% of retirement lump sums not paid within 1 month of normal retirement or 2 months of early retirement; 100% was paid within 1 month of receipt of member option return | The administering authority has accrued interest payments on retirement lump sums, paid more than one month after their due date, under the 2013 LGPS regulations | % due to a delay with the return of the completed pension options by the member, disinvestment of AVC pot and / or late provision of final pensionable pay details by employer (total number 4) | | The Fund continues to remind its members of the importance of returning pension option forms in a timely manner, reminding employers of their KPI requirements to provide final pensionable pay figures.  Delay with the disinvestment of AVC monies due to the crossover with the final AVC payment. | ✓ |
| Sept – October 2023 | Administration | Frozen refunds unclaimed for this period is 71.70% …. This equates to a | Regulations state, no further interest will accrue on or after 5-year | High % due to member not making a positive election to claim refund | Information has been recorded within the breach register | Members are written to 3 months prior to the date of their 5-year anniversary from | ✓ |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | monetary value of £4,213.84 | anniversary. Should the member enter re-employment membership cannot be aggregated, the member will not be able to transfer the benefit out and if a refund is claimed there will be tax implications as this is deemed to be an unauthorised payment. The above is subject to change and we are waiting for confirmation that the above Regulation has been amended to support this. **Awaiting confirmation of Regulatory change; going forward there will be no further requirement to report non-payment of** | | | date of leaving. Member coms has been revised with extra emphasis placed on tax implications i.e. 40% taxation to be applied to net value of refund of contributions as payment is deemed to be an unauthorised payment by HMRC. | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | **refunds as the 5-year anniversary ruling will be removed** | | | | |
| April – October 2023 | Administration | Swansea Council have not provided an i-Connect file since March 2023. | As an Administering Authority the Fund has failed to meet its commitment in terms of member engagement. This applied to all new starters and those members who have left employment during this period. Total number of members affected was approx. 1,200.<br><br>The Fund failed to comply with the KPI's published within the Pension Admin Strategy in terms of member engagement. | Non provision of i-Connect file is resulting from the failure to export accurate data following the instal of a new payroll system. | Information has been recorded within the breach register | New starters were set-up manually on the Pension database and a pension welcome pack issued.<br><br>Members who have left employment were issued with options pertaining to the membership vesting period i.e. refund of contributions / deferred benefits.<br><br>Due to the volume of cases a number of staff worked one weekend to deal with the backlog of caseloads as this would have encroached on their day-to-day workload. | ✓ |
| Sept – | GDPR | No breaches to | | | | | ✓ |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| October 2023 | | report | | | | | |
| Sept – October 23 | Contributions | 2 | 2 Employers have not paid contributions within required timescale – see below for detail | Loss of investment returns | | Employers are contacted as soon as the deadline for submission of contributions has passed | ✓ |

✓ New breaches since the previous meeting

The details of the late Contributors :



| No. of Contributors | Due Date | Date Paid | No of Months | Amount £ | Organisation Type | Reason |
|---|---|---|---|---|---|---|
| 1 | 19th Sept | 12th Oct | 1 | 157.86 | Small admitted body | New joiner, Oct paid on time |
| 480 | 19th Oct | 20th Oct | 1 | 264,678.76 | College | Processing error- new staff |

# Agenda Item 6

**Report of the Chief Legal Officer**

**Pension Fund Committee – 15 November 2023**

# Exclusion of the Public

<table>
<tr><td colspan="2">Purpose:</td><td>To consider whether the Public should be excluded from the following items of business.</td></tr>
<tr><td colspan="2">Policy Framework:</td><td>None.</td></tr>
<tr><td colspan="2">Consultation:</td><td>Legal.</td></tr>
<tr><td colspan="2">Recommendation(s):</td><td>It is recommended that:</td></tr>
<tr><td>1)</td><td colspan="2">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.</td></tr>
<tr><td></td><td>Item No’s.</td><td>Relevant Paragraphs in Schedule 12A</td></tr>
<tr><td></td><td>7, 7a, 7b, 8, 8a, 8b, 8c, 9 & 10.</td><td>14</td></tr>
<tr><td colspan="2">Report Author:</td><td>Democratic Services</td></tr>
<tr><td colspan="2">Finance Officer:</td><td>Not Applicable</td></tr>
<tr><td colspan="2">Legal Officer:</td><td>Tracey Meredith – Chief Legal Officer (Monitoring Officer)</td></tr>
</table>

## 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.

**Appendix A**

**Public Interest Test**

| No. | Relevant Paragraphs in Schedule 12A |
|---|---|
| | |
| **12** | **Information relating to a particular individual.** |
| | The Proper Officer (Monitoring Officer) has determined in preparing this report that paragraph 12 should apply. Their 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 they 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. |
| | |
| **13** | **Information which is likely to reveal the identity of an individual.** |
| | The Proper Officer (Monitoring Officer) has determined in preparing this report that paragraph 13 should apply. Their 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 they 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. |
| | |
| **14** | **Information relating to the financial or business affairs of any particular person (including the authority holding that information).** |
| | The Proper Officer (Monitoring Officer) has determined in preparing this report that paragraph 14 should apply. Their view on the public interest test was that:<br><br>**a)** Whilst they were 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<br><br>**b)** Disclosure of the information would give an unfair advantage to tenderers for commercial contracts.<br><br>This information is not affected by any other statutory provision which requires the information to be publicly registered.<br><br>On that basis they 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. |
| | |

| No. | Relevant Paragraphs in Schedule 12A |
|---|---|
| | |
| **15** | **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.** |
| | The Proper Officer (Monitoring Officer) has determined in preparing this report that paragraph 15 should apply. Their view on the public interest test was that whilst they are mindful of the need to ensure that transparency and accountability of public authority for decisions taken by them they were 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 they 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. |
| | |
| **16** | **Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.** |
| | No public interest test. |
| | |
| **17** | **Information which reveals that the authority proposes:**<br>**(a) To give under any enactment a notice under or by virtue of which requirements are imposed on a person; or**<br>**(b) To make an order or direction under any enactment.** |
| | The Proper Officer (Monitoring Officer) has determined in preparing this report that paragraph 17 should apply. Their 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 they 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. |
| | |
| **18** | **Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime** |
| | The Proper Officer (Monitoring Officer) has determined in preparing this report that paragraph 18 should apply. Their 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 they 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. |

# Agenda Item 7a

Yn rhinwedd paragraff(au) 14 Atodlen 12A
o Ddeddf Llywodraeth Leol 1972
fel y'i diwygiwyd gan Orchymyn Llywodraeth Leol (Mynediad at Wybodaeth) (Amrywiad) (Cymru) 2007.

Document is Restricted

Yn rhinwedd paragraff(au) 14 Atodlen 12A
o Ddeddf Llywodraeth Leol 1972
fel y'i diwygiwyd gan Orchymyn Llywodraeth Leol (Mynediad at Wybodaeth) (Amrywiad) (Cymru) 2007.

Document is Restricted

# Agenda Item 7b

Yn rhinwedd paragraff(au) 14 Atodlen 12A
o Ddeddf Llywodraeth Leol 1972
fel y'i diwygiwyd gan Orchymyn Llywodraeth Leol (Mynediad at Wybodaeth) (Amrywiad) (Cymru) 2007.

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# Agenda Item 8b

Yn rhinwedd paragraff(au) 14 Atodlen 12A
o Ddeddf Llywodraeth Leol 1972
fel y'i diwygiwyd gan Orchymyn Llywodraeth Leol (Mynediad at Wybodaeth) (Amrywiad) (Cymru) 2007.

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# Agenda Item 8c

Yn rhinwedd paragraff(au) 14 Atodlen 12A
o Ddeddf Llywodraeth Leol 1972
fel y'i diwygiwyd gan Orchymyn Llywodraeth Leol (Mynediad at Wybodaeth) (Amrywiad) (Cymru) 2007.

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# Agenda Item 9

Yn rhinwedd paragraff(au) 14 Atodlen 12A
o Ddeddf Llywodraeth Leol 1972
fel y'i diwygiwyd gan Orchymyn Llywodraeth Leol (Mynediad at Wybodaeth) (Amrywiad) (Cymru) 2007.

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fel y'i diwygiwyd gan Orchymyn Llywodraeth Leol (Mynediad at Wybodaeth) (Amrywiad) (Cymru) 2007.

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