

DINAS A SIR ABERTAWE

HYSBYSIAD O GYFARFOD

Fe'ch gwahoddir i gyfarfod

PWYLLGOR CRONFA BENSIWN

Lleoliad: Ystafell Bwyllgor 1, Canolfan Ddinesig, Abertawe

Dyddiad: Dydd Iau, 18 Medi 2014

Amser: 10.00 am

AGENDA

Rhif y Dudalen

Rhif y
Dudalen

- 1 Ymddiheuriadau am Absenoldeb.**
- 2 Datgeliadau o Fuddiannau Personol a Rhagfarnol.** 1 - 2
- 3 Cofnodion.** 3 - 11
Cymeradwyo Cofnodion Cyfarfodydd Pwyllgor y Gronfa Bensiwn a gynhaliwyd ar 3 Gorffennaf a Phwyllgor Arbennig y Gronfa Bensiwn a gynhaliwyd ar 12 Awst 2014.
- 4 Adroddiad Swyddfa Archwilio Cymru.**
- 4a Adroddiad Archwilio ar y Datganiadau Ariannol - Cronfa Bensiwn Dinas a Sir Abertawe.** 12 - 29
- 5 Adroddiad(au) Swyddog Adran 151.**
- 5a Datganiad o Gyfrifon Cronfa Bensiwn Dinas a Sir Abertawe 2013/14.** 30 - 69
- 6 Gwahardd y Cyhoedd.** 70 - 73
- 7 Adroddiad Adolygu Buddsoddi.**
- 7a Crynodeb Buddsoddi. (Er gwybodaeth.)** 74 - 84
- 8 Adroddiad Swyddog Adran 151.**
- 8a Dyraniad Ased Tactegol Byd-eang.** 85 - 86
- 9 Adroddiadau Cyd-ymgynghorwyr Annibynnol. (Er gwybodaeth.)** 87 - 98

10 Cyflwyniad(au) Rheolwyr y Gronfa.

10a JP Morgan - Ecwitiau Byd-eang

10b Schroders - Ecwitiau'r DU

10c Aberdeen - Ecwitiau Marchnad Byd-eang a Thorri Tir Newydd



Patrick Arran

Pennaeth Gwasanaethau Cyfreithiol, Democrataidd a Chaffael

12 Medi 2014

Cyswllt: Gwasanaethau Democrataidd – 01792 636016

Disclosures of Interest

To receive Disclosures of Interest from Councillors and Officers

Councillors

Councillors Interests are made in accordance with the provisions of the Code of Conduct adopted by the City and County of Swansea. You must disclose orally to the meeting the existence and nature of that interest.

NOTE: You are requested to identify the Agenda Item / Minute No. / Planning Application No. and Subject Matter to which that interest relates and to enter all declared interests on the sheet provided for that purpose at the meeting.

1. If you have a **Personal Interest** as set out in **Paragraph 10** of the Code, you **MAY STAY, SPEAK AND VOTE** unless it is also a Prejudicial Interest.
2. If you have a Personal Interest which is also a **Prejudicial Interest** as set out in **Paragraph 12** of the Code, then subject to point 3 below, you **MUST WITHDRAW** from the meeting (unless you have obtained a dispensation from the Authority's Standards Committee)
3. Where you have a Prejudicial Interest you may attend the meeting but only for the purpose of making representations, answering questions or giving evidence relating to the business, **provided** that the public are also allowed to attend the meeting for the same purpose, whether under a statutory right or otherwise. In such a case, you **must withdraw from the meeting immediately after the period for making representations, answering questions, or giving evidence relating to the business has ended**, and in any event before further consideration of the business begins, whether or not the public are allowed to remain in attendance for such consideration (**Paragraph 14** of the Code).
4. Where you have agreement from the Monitoring Officer that the information relating to your Personal Interest is **sensitive information**, as set out in **Paragraph 16** of the Code of Conduct, your obligation to disclose such information is replaced with an obligation to disclose the existence of a personal interest and to confirm that the Monitoring Officer has agreed that the nature of such personal interest is sensitive information.
5. If you are relying on a **grant of a dispensation** by the Standards Committee, you must, before the matter is under consideration:
 - i) Disclose orally both the interest concerned and the existence of the dispensation; and
 - ii) Before or immediately after the close of the meeting give written notification to the Authority containing:

- a) Details of the prejudicial interest;
- b) Details of the business to which the prejudicial interest relates;
- c) Details of, and the date on which, the dispensation was granted; and
- d) Your signature

Officers

Financial Interests

1. If an Officer has a financial interest in any matter which arises for decision at any meeting to which the Officer is reporting or at which the Officer is in attendance involving any member of the Council and /or any third party the Officer shall declare an interest in that matter and take no part in the consideration or determination of the matter and shall withdraw from the meeting while that matter is considered. Any such declaration made in a meeting of a constitutional body shall be recorded in the minutes of that meeting. No Officer shall make a report to a meeting for a decision to be made on any matter in which s/he has a financial interest.
2. A “financial interest” is defined as any interest affecting the financial position of the Officer, either to his/her benefit or to his/her detriment. It also includes an interest on the same basis for any member of the Officers family or a close friend and any company firm or business from which an Officer or a member of his/her family receives any remuneration. There is no financial interest for an Officer where a decision on a report affects all of the Officers of the Council or all of the officers in a Department or Service.

CITY AND COUNTY OF SWANSEA

MINUTES OF THE PENSION FUND COMMITTEE

HELD AT COMMITTEE ROOM 1, CIVIC CENTRE, SWANSEA ON
THURSDAY 3 JULY 2014 AT 10.00 A.M.

PRESENT: Councillor R C Stewart (Chair) presided for Minute Nos. 9-17

Councillor(s):

P Downing
C E Lloyd

Councillor(s):

J Newbury
D G Sullivan

Councillor(s):

M Thomas

Neath Port Talbot County Borough Council Co-opted Member:

P A Rees

Officers:

M Hawes	-	Head of Finance and Delivery
J Dong	-	Chief Treasury and Technical Officer
N Havard	-	Directorate Lawyer
J Parkhouse	-	Democratic Services Officer

ALSO PRESENT:

N Mills	-	Independent Investment Advisor
V Furniss	-	Independent Investment Advisor

1. **ELECTION OF VICE-CHAIR FOR 2014/2015 MUNICIPAL YEAR**

RESOLVED that Councillor P Downing be elected Vice-Chair for the 2014/2015 Municipal Year.

(COUNCILLOR P DOWNING, VICE-CHAIR, PRESIDED)

2. **APOLOGIES FOR ABSENCE**

There were none.

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

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

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

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

Councillor C E Lloyd - agenda as a whole - father in receipt of Local Government pension - personal.

Councillor D G Sullivan - agenda as a whole - I receive a pension administered by Dyfed County Council and my daughter-in-law is a part-time employee of the Authority - personal.

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

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

4. **MINUTES**

RESOLVED that the Minutes of the Pension Fund Committee held on 13 March 2015 be agreed as a correct record subject to the following amendment:

Minute No. 31 - Disclosures of Personal and Prejudicial Interests

Councillor M Thomas wished it recorded that he had dispensation from the Standards Committee only in respect of his wife.

5. **WALES AUDIT OFFICE REPORT - ANNUAL FINANCIAL AUDIT OUTLINE - CITY AND COUNTY OF SWANSEA PENSION FUND**

The Head of Finance and Delivery, in the absence of the Wales Audit Office, presented the Annual Financial Audit Outline - City and County of Swansea Pension Fund Report.

The report had been prepared to meet the requirements of auditing standards and proper audit practices.

The report detailed and outlined the financial audit work required for the City and County of Swansea Council Pension Fund 2013/14 financial statements. Information was provided regarding the main operational and financial risks faced by the Pension Fund that impact on the audit and the proposed action that would be taken by the auditor.

RESOLVED that the Annual Financial Audit Outline Report for the City and County of Swansea Pension Fund be noted.

6. **LOCAL GOVERNMENT PENSION SCHEME GOVERNANCE REGULATIONS**

The Chief Treasury and Technical Officer provided a for information report which informed the Committee of the pending new regulations regarding the Local Government Pension Scheme governance requirements.

It was outlined that new governance regulations are due to be issued for consultation at the end of June 2014 which will represent fundamental changes and enhancements to the formal governance arrangements governing the Local Government Pension Scheme. The new proposals are to include the following:

1. Establishment of Local Pension Boards.
2. Clear guidance on the make-up of Local Pension Boards.
3. Establishment of Pension Scheme Advisory Board.
4. Wider employment representation on Local Pension Board.
5. Member representation on Local Pension Board.
6. Formal scrutiny of Decision Making Body.
7. Minimum competence/knowledge/training requirements of Trustees.

The Committee discussed the implications of the new proposals. It was confirmed that decision making will remain with the Pension Fund Committee and those decisions will be scrutinised by the Local Pension Board. The Head of Finance and Delivery proposed that he draft a response to the consultation and report this to a Special Pension Fund Committee in order to meet the required deadline.

RESOLVED that:

- (1) the contents of the report be noted;
- (2) the Head of Finance and Delivery draft a response to the consultation regarding the new governance regulations;
- (3) a Special Pension Fund Committee be scheduled in order to receive the consultation response within the required deadline.

7. **LOCAL GOVERNMENT PENSION SCHEME ADMINISTERING AUTHORITY DISCRETIONS**

The Chief Treasury and Technical Officer presented a report which sought to approve the discretions available to the City and County of Swansea administering authority under the relevant Local Government Pension Scheme Regulations.

It was explained that discretions were previously approved at the Pension Fund Committee held on 26 September 2013. However, there was a requirement to review these and as a result of the implementation of the Local Government Pension Scheme 2014 with effect from 1 April 2014.

It was added that a list of all the discretions that the administering authority exercises or chooses not to exercise was provided at Appendix A of the report. Those that are new or had been reviewed as a result of the implementation of the new Local Government Pension Scheme with effect from 1 April 2014 were highlighted.

RESOLVED that:

- (1) the Local Government Pension Scheme - administering authority discretions be approved;
- (2) the policy to abate pensions be amended to include the abatement of the pre 1 April 2014 element of pensions in payment following re-employment.

8. **LOCAL GOVERNMENT PENSION SCHEME STRUCTURAL REFORM - CALL FOR EVIDENCE FOLLOW UP CONSULTATION RESPONSE**

The Chief Treasury and Technical Officer presented a report which provided a formal response to the Department for Communities and Local Government following consultation arising from the call for evidence into Pension Fund structural reform.

It was outlined that the consultation attached at Appendix 1 of the report represented the next step in reform of the Local Government Pension Scheme. This built upon the responses to the call for evidence (which the Pension Committee formally responded to in December 2013) the analysis of the Shadow Scheme Advisory Board and further cost benefit analysis of potential options for reform commission from Hymans Robertson the Actuarial and Investment Consulting Firm.

It sets out the Government's preferred approach to reform, sought views on the proposals and asked for respondents to consider how if adopted, these reforms might be implemented effectively. The City and County of Swansea Pension Fund Response was attached at Appendix 2 of the report which the Committee discussed prior to approval.

RESOLVED that the City and County of Swansea Pension Fund Consultation Response be approved.

(COUNCILLOR R C STEWART, CHAIR, PRESIDED)

9. **TRUSTEE AND PENSION FUND COMMITTEE TRAINING**

The Chief Treasury and Technical Officer presented a report to determine an annual training programme for Trustees and Officers of the Pension Fund.

The Chief Treasury and Technical Officer advised that the training was required to ensure compliance with the CIPFA Public Sector Pension Finance Knowledge and Skills Code of Practice. He added that in line with the proposed changes to the LGPS Governance Regulations all Trustees should be properly trained.

The Committee discussed the necessary training requirements and it was requested that details be forwarded regarding free training being provided by Asset Managers in the UK.

RESOLVED that:

- (1) the training identified for Members and Officers in Sections 3.5 and 3.6 of the report be approved;
- (2) the Chief Treasury and Technical Officer circulates details to the Committee of free training opportunities provided by Asset Managers within the UK.

10. **REPORT ON LOCAL GOVERNMENT PENSION SCHEME CONSULTATION REGULATIONS**

The Chief Treasury and Technical Officer provided a for information report which presented an overview of the Communications Strategy which had been undertaken to encourage scheme Members to register to use Member self-service.

It was outlined that an implementation plan for Member self-service had been devised between the Fund and Heywood, the supplier with a provisional call out date for late August 2014. The self-service will be accessed from the front page of the Fund's website and the go-live date is timed to tie in with the distribution of the annual benefit statements for 2013/14 which have to be issued by 31 August 2014 in accordance with the regulations. The Annual Benefit Statements will contain a loose leafed insert which will outline the benefits of registering to use the self-service as well as provide details of how to obtain an activation key from the Fund. This will notify all active Members of the new facility. Following the launch of the self-service scheme, the Fund will ask permission from its participating employers to visit staff premises to further promote the facility as well as be on hand to assist with registration. Permission will also be sought to advertise on notice boards and through work e-mails.

It was added that pensioner Members would receive the information contained on the Annual Benefits Statement Insert in their annual newsletter which will next be distributed in April 2015. Deferred Members will receive the same insert in their Annual Benefits Statement which will be distributed circa June 2015.

The Committee commented on the excellent progress made in relation to the self-service scheme, the potential savings that will be made as a result and commented that scheme members needed to be adequately trained and have access to the Internet in order to access their pension details.

11. **EXCLUSION OF THE PUBLIC**

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

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

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

(CLOSED SESSION)

12. **FUND MANAGER REPORTS**

- (1) A joint presentation was provided by Christopher Head and John Ware on behalf of Black Rock.
- (2) A joint presentation was provided by Clark Fenton and Tim Horton on behalf of Permal.

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

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

13. **INDEPENDENT INVESTMENT CO-ADVISORS REPORTS**

The report presented the economic update and market commentary from the perspective of the appointed Independent Investment Advisors. Mr N Mills provided an economic and market update and Mr V Furniss provided an investment report for the quarter ending 31 March 2014.

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

14. **INVESTMENT SUMMARY**

The Chief Treasury and Technical Officer provided a report for information which presented the investment performance for the quarter year ended 30 December 2013. Attached at Appendix 1 of the report were the Quarterly Investment Summaries for the Pension Fund for the quarter ended 31 March 2014.

15. **INVESTING IN INFRASTRUCTURE UPDATE**

The Chief Treasury and Technical Officer presented a for information report that informed the Committee of the implementation of the Infrastructure Investment Strategy.

The meeting ended at 12.36 p.m.

CHAIR

CITY AND COUNTY OF SWANSEA

MINUTES OF THE SPECIAL MEETING OF THE PENSION FUND COMMITTEE

HELD AT COMMITTEE ROOM 1, CIVIC CENTRE, SWANSEA ON TUESDAY 12 AUGUST 2014 AT 3.30 P.M.

PRESENT: Councillor P Downing (Vice Chair) presided

Councillor(s):	Councillor(s):	Councillor(s):
C E Lloyd J Newbury	D G Sullivan R C Stewart (Minute 18 only)	M Thomas

Neath Port Talbot County Borough Council Co-opted Member:

P A Rees

Officers:

M Hawes - Head of Finance and Delivery
J Hooper - Directorate Lawyer
J Parkhouse - Democratic Services Officer

16. **APOLOGIES FOR ABSENCE**

There were none.

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

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

Councillors:

Councillor P Downing - Minute No. 18 - brother works for the Authority - personal.

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

Councillor C E Lloyd - Minute No. 18 - father is a member of the Local Government Pension Scheme - personal.

Councillor R C Stewart - Minute No. 18 - member of the Local Government Pension Scheme - personal.

Councillor D G Sullivan - Minute No. 18 - daughter-in-law is a member of the Local Government Pension Scheme - personal.

Councillor M Thomas - Agenda as a whole - wife is a member of the Local Government Pension Scheme and works for the Authority. I am a member of the Local Government Pension Scheme - personal.

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

Officers:

M Hawes - Minute No. 18 - my wife is a member of the Local Government Pension Scheme - personal.

18. **LGPS (AMENDMENT) REGULATIONS 2014 - DRAFT REGULATIONS ON SCHEME GOVERNANCE - CONSULTATION**

The Head of Finance and Delivery presented the City and County of Swansea response to the Department for Communities and Local Government consultation exercise on Draft Regulations on Scheme Governance.

The Draft Regulations on Scheme Governance were provided at Appendix 1 of the report and were issued for consultation at the end of June 2014. The consultation exercise requested comments on certain elements of the Regulations. The proposed response for the City and County of Swansea was provided at Appendix 2 of the report.

Members were advised regarding the potential membership and governance arrangements of the Local Pension Board.

The Committee considered the information contained within the response at Appendix 2 and asked questions of the Officer who responded accordingly.

RESOLVED that the response on behalf of the City and County of Swansea to the DCLG consultation exercise on the Draft Regulations on Scheme Governance attached at Appendix 2 of the report be approved.

The meeting ended at 3.45 p.m.

CHAIR

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

Audit year: 2013-14

Issued: September 14

Document reference: C14213

Purpose of this document

This document is a draft supplied in confidence solely for the purpose of verifying the accuracy and completeness of the information contained in it and to obtain views on the conclusions reached.

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Status of report

This document was produced by PricewaterhouseCoopers LLP on behalf of Anthony Barrett, the Appointed Auditor. The team who delivered the work included Kevin Williams, Engagement Leader and Rebecca Nelson, Engagement Manager.

Contents

Anthony Barrett, as Appointed Auditor, intends to issue an unqualified audit report on your financial statements. There are some issues to report to you prior to their approval.

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Summary report

Introduction

1. Anthony Barrett, as Appointed Auditor, is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of the City & County of Swansea Pension Fund as at 31 March 2014 and its income and expenditure for the year then ended. This report has been prepared and presented by PricewaterhouseCoopers LLP as sub-contract auditor appointed by the Auditor General for Wales.
2. We received the draft financial statements for the City & County of Swansea (the Authority), which included the draft financial statements of the City & County of Swansea Pension Fund, for the year ended 31 March 2014 on 8 July 2014 and have now substantially completed the audit work. We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with Mike Hawes (Head of Finance and Delivery/S151 Officer).
3. We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely those that might result in a reader of the accounts being misled.
4. The quantitative levels at which we judge such misstatements to be material for the City & County of Swansea Pension Fund are £1,030,580 for the fund account and debtor/creditor balances and £13,769,080 for the net assets statement (excluding debtors & creditors balances). Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity.
5. International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.
6. This report sets out for consideration the matters arising from the audit of the financial statements of the City & County of Swansea Pension Fund, for 2013-14, that require reporting under ISA 260.

Proposed audit report

7. Subject to the satisfactory completion of the outstanding work, as detailed below, it is the Appointed Auditor's intention to issue an unqualified audit report on the financial statements once you have provided us with a Letter of Representation based on that set out in [Appendix 1](#).
8. At the date of our presentation of this report the following area of audit work was outstanding:
 - Final review of the financial statements.

Significant issues arising from the audit

Uncorrected misstatements

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

Corrected misstatements

10. There are audit identified misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process. They are set out with explanations in [Appendix 2](#).

Other significant issues arising from the audit

11. In the course of the audit, we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you. There were some issues arising in these areas this year:
 - **We have no concerns about the qualitative aspects of your accounting practices and financial reporting.** Generally, we found the information provided to be relevant, reliable, comparable, material and easy to understand. We concluded that accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear.
 - **We identified one issue during the course of the audit.** This relates to a Group transfer between the Fund and Powys Pension Fund which is explained in further detail below.
 - **We did not encounter any significant difficulties during the audit.** We received information in a timely and helpful manner and were not restricted in our work.
 - **There were no significant matters discussed and corresponded upon with management which we need to report to you.**
 - **There are no other matters significant to the oversight of the financial reporting process that we need to report to you.**
 - **We did not identify any material weaknesses in your internal controls but have made some recommendations to enhance the control environment.** This is explained in further detail below.
 - **There are no other matters specifically required by auditing standards to be communicated to those charged with governance.**

Issue identified during the course of the audit

Powys Pension Fund Transfer In

12. Due to a further education college merger, the employees of the former Powys College transferred to Neath Port Talbot College and therefore a fund transfer from the Powys Pension Fund to the City and County of Swansea Pension Fund was needed.
13. The transfer of Powys College employees to the Neath Port Talbot section of the City & County of Swansea Pension Fund was approved by the Department for Communities and Local Government with effect from 1st August 2013.
14. We were advised by the auditors of the Powys Pension Fund that the fund intends to accrue £8.9m for the bulk transfer of employees of Powys College based on an actuarial estimation of the transfer value.
15. Management have contacted the actuary for the City & County of Swansea Pension Fund, who has confirmed that they are content with an £8.9m figure as a starting point for a value of the transfer, but will be looking to refine the figure in the near future. Management have therefore proposed and actioned an adjustment to their draft accounts to recognise this asset.

There are no uncorrected misstatements

16. We report to you all uncorrected misstatements other than those of a clearly trivial nature (trivial is defined as entirely inconsequential, whether taken individually or in aggregate, either quantitatively and/or qualitatively). On the basis of the standard methodology applied by the Wales Audit Office, the financial limit for what is considered to be trivial has been calculated at £100,000.
17. The Authority has agreed to amend the financial statements for all items we have identified during our audit.
18. [Appendix 2](#) contains a summary of the corrections that have been made to the accounts presented for audit.

Significant Risks

Significant risks identified at the planning stage

19. During the planning stage of our audit and as documented within our Financial Audit Outline, we have considered the Fund's operations and assessed the extent to which we believed there were potential audit risks. We consider an audit risk to be the risk that we may reach an inappropriate opinion on the financial statements. In this report, we summarise the significant matters which we have considered throughout the course of the audit. See table below:

Summary of main audit risks

Significant Risks	Action Taken
<p>Management override of controls The risk of management override of controls is present in all entities.</p> <p>Due to the unpredictable way in which such override could occur, it is viewed as a significant risk.</p>	<p>We have tested a sample of journals posted to the nominal ledger in the period, back to source documentation, without issue.</p> <p>From our consideration of management estimates, no issues have been identified.</p> <p>No significant transactions outside the normal course of business were identified.</p> <p>We have undertaken unpredictable procedures, to identify any potential false suppliers. No issues were identified.</p>

The Appointed Auditor intends to issue an unqualified audit report

20. We report any proposed modifications to the standard auditor's report to ensure that you are aware of the reasons for the modifications and have the opportunity to provide any further information and explanations in respect of the matter giving rise to the modification.
21. The auditor's report comments on whether the accounts and related notes present fairly the financial transactions of the Fund during the year ended 31 March 2014 and

the amount and disposition of the Fund's assets and liabilities as at 31 March 2014, other than liabilities to pay pensions and other benefits after the end of the Fund year.

- 22.** Subject to the satisfactory completion of the outstanding work, as noted earlier in this report, it is the Appointed Auditor's intention to issue an unqualified audit report on the financial statements once you have provided us with a Letter of Representation as set out in [Appendix 1](#).

We did not identify any material weaknesses in your internal controls but have made some recommendations to enhance the control environment

- 23.** A material weakness in internal control is defined by ISA 260 as 'a deficiency in design or operation which could adversely affect the entity's ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements'.
- 24.** We do not, however, normally report information to you concerning a material weakness you know about and have taken appropriate action to correct, unless the weakness is symptomatic of broader weaknesses in the overall control environment and there is a risk that other material weaknesses may occur.
- 25.** You should be aware that we do not provide a comprehensive statement of all weaknesses that may exist in the internal controls, or of all improvements that may be made, but have addressed only those matters that have come to our attention as a result of the audit procedures performed.
- 26.** We did not identify any material weaknesses in controls. However we did note the following control points which are also included in [Appendix 3](#) to this report.

Inaccurate pension contributions received from Celtic Community Leisure

- 27.** From our testing of individual contributions, sampled across a number of scheduled and admitted bodies, we have identified a number of contributions received from the same admitted body, Celtic Community Leisure, which have been identified as incorrect.
- 28.** In the cases sampled from Celtic Community Leisure, each employee had their contribution deductions calculated each month, based on a percentage of their annual full-time equivalent (FTE) contracted pay, divided by twelve. The correct amount that should have been deducted should be based on how much the employee had actually been paid in the month. These errors occurred in instances where the employee worked more or indeed less hours than 1 FTE and also occurred when an employee performed a different role to that contracted e.g. a supervisor role instead of a standard role, where there are differences in rates of pay. Of the nine samples selected from this admitted body, seven were identified as incorrect.

-
29. We are aware that the control performed by Management of the Fund by assessing the Employee to Employer contributions ratio each month would not identify this issue and are also aware that Management of the Fund would not expect to obtain individual payslips from each of the Admitted and Scheduled bodies to allow them to identify this issue.
 30. Whilst we have assessed that these errors will not cause a material misstatement within the 2013/14 accounts, given that total contributions (Employer and Employee) for all employees from this admitted body for this period were £235k, we would recommend that management should request that Celtic Community Leisure review the contributions paid during 2013/14 to identify the actual amount of over/under payment made to the Fund and determine the appropriate correcting action.

Late payment of pension contributions

31. Regulation 81 (1) of the Local Government Pension Scheme Regulations 1997 requires employer authorities to pay employee contributions to the administering authority within 19 days of the end of the month to which they relate. As reported in prior periods, we have continued to identify payments from employers exceeding the 19 day rule. During testing of pension contributions we have noted a total of 30 late payments during the year (2012/13: 19).
32. Of the 30 late payments identified 11 related to Phoenix Trust which made one annual payment of contributions relating to 2013/14 in May 2014, 9 from Pelenna Community Council, 5 from Celtic Community Leisure and 5 from University of Wales Trinity Saint David. The late paying bodies, apart from Phoenix Trust, are consistent with the prior year.
33. We recognise that management has communicated with these consistent late payers regularly during the year. We recommend that management, supported by the Pension Fund Committee, reminds the bodies concerned, of their obligations under the Local Government Pension Scheme Regulations 1997 to ensure a timely payment of contributions to the Fund.

Membership Numbers – Information Flow

34. The Pensions department of the Authority is dependent on receiving timely information from the scheduled and admitted bodies. Due to the strict accounts preparation timetable, not all information is received by the pensions' team prior to the preparation of the draft accounts. As reported previously, we have identified membership number variances that are associated with the late provision of information. As part of our audit of the Fund, we are required to review membership numbers.
35. Our review of the 2013/14 opening membership numbers identified that there was a total net difference of 366 members (2013:110) between the totals carried forward in

2012/13 when compared to the totals brought forward to 2013/14. Discussions with management confirmed that the differences have arisen as a result of the delay in the Fund administration team receiving information from the various scheduled and admitted bodies. We recommend that the Authority reminds all external bodies of the importance of the provision of accurate and timely information to the administration team to ensure the accuracy of the figures within the financial statements.

Risk of Fraud

36. International Standards on Auditing (UK&I) state that we, as auditors, are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error.
37. Your responsibility as part of your governance role is:
 - to evaluate management's identification of fraud risk, implementation of anti-fraud measures and creation of appropriate "tone at the top"; and
 - to investigate any alleged or suspected instances of fraud brought to your attention.
38. In presenting this report to you we ask for your confirmation that there have been no changes to your view of fraud risk and that no additional matters have arisen that should be brought to our attention. A specific confirmation from management in relation to fraud is included in the letter of representation, see [Appendix 1](#).

Independence and objectivity

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

Fee Update

41. The requirements of the Public Audit (Wales) Act 2013 introduced a slightly revised fee-setting requirement on the new Wales Audit Office for all audit work once its provisions came into effect from 1 April 2014. Accordingly the Wales Audit Office have reviewed its cost allocation and apportionment processes to ensure that, going forward, our fee setting fully complies with these new statutory requirements.

42. Our fees charged are:

	2013/14 fee
City and County of Swansea Pension Fund	£50,000

Appendix 1

Letter of Representation

Appointed Auditor

Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

PricewaterhouseCoopers LLP
One Kingsway
Cardiff
CF10 3PW

XX September 2014

Representations regarding the 2013-14 Financial Statements

This letter is provided in connection with your audit of the financial statements of the City & County of Swansea Pension Fund (the Fund) for the year ended 31 March 2014.

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

Management representations

Responsibilities

We have fulfilled our responsibilities for the preparation of the financial statements in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14; in particular the financial statements give a true and fair view in accordance therewith.

We acknowledge our responsibility for 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 the 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.

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

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

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

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

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

Representations by 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 City & County of Swansea (the authority) on [insert date].

Signed by

S.151 Officer

Date

Leading Member

Date

Appendix 2

Summary of corrections made to the draft financial statements which should be drawn to the attention of the Pension Fund Committee

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

Value of correction	Nature of correction	Reason for correction
£2,062,411	Reclassification of dividends due from Current Assets to Other Investment Balances.	For compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.
£1,288,768	Harbourvest private equity fund was undervalued by this amount within the draft financial statements. Management has explained that due to the Harbourvest 90 day reporting period, they initially posted an estimated figure provided by Harbourvest, within the draft accounts.	To adjust the Harbourvest private equity fund valuation within the financial statements to that subsequently confirmed by the investment manager as at 31 March 2014.
£152,623	Within creditors as at 31 March 2014 there were two accruals relating to investment manger fees for the 12/13 period which had not been released to the fund account for Aberdeen (£111,175) and for JP Morgan (£41,448).	Accruals were not required for Aberdeen and JP Morgan as both investment managers confirmed that no fees were due.

Appendix 3 - Recommendations made to improve internal controls

Observation	Implication	Recommendation	Management Response
<p>1. Inaccurate contribution deductions from Celtic Community Leisure There have been a number of incorrect contributions received as identified from a sample of individuals tested at this admitted body.</p>	<p>Employees at Celtic Community Leisure will have been over or underpaying contributions (as applicable) during current and prior periods.</p>	<p>We would recommend that management request that Celtic Community Leisure review the contributions paid during 2013/14 to identify the actual amount of over/under payment made to the Fund and determine the appropriate correcting action.</p> <p>Risk rating: Moderate</p>	<p>Management shall write to Celtic Community Leisure to request suitable checks and controls are implemented to mitigate these instances occurring. It should be noted that the any over/under payment by an employer will be recognised at the triennial valuation and their respective contribution rate adjusted accordingly.</p>
<p>2. Late payment of contributions There have been late receipts of contributions from a number of admitted and scheduled bodies.</p>	<p>Regulation 81 (1) of the Local Government Pension Scheme Regulations 1997 requires employer authorities to pay employee contributions to the administering authority within 19 days of the end of the month to which they relate.</p>	<p>We recommend that management reminds any scheduled and/or admitted body that makes a late payment, of their obligations under the Local Government Pension Scheme Regulations 1997 to ensure a timely receipt of contributions from each of the bodies. We also recommend that appropriate penalties are introduced for those bodies that consistently breach the regulations. This should assist in improving the timeliness of the receipt of contributions.</p> <p>Risk rating: Low</p>	<p>The measures recommended are currently implemented. The impact on cashflow of the late payments identified is infinitesimal.</p>

3.Membership numbers

During our testing it was identified that there was a net difference of 366 member numbers between the closing 12/13 balance and the opening 13/14 balance.

Inaccurate data could lead to inaccurate figures in the financial statements.

We recommend that the Authority reminds all external bodies of the importance of accurate and timely information to the administration team to ensure the accuracy of the figures within the financial statements.

Risk rating: moderate

All employers have signed up to and agreed to comply with the reporting timescales within The Administering Authority Strategy Statement . Employers are also reminded of their obligations at regular roadshows and seminars.

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Cardiff CF11 9LJ

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Agenda Item 5a

Report of the Section 151 Officer

Pension Fund Committee – 18 September 2014

CITY & COUNTY OF SWANSEA PENSION FUND STATEMENT OF ACCOUNTS 2013/14

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

City & County of Swansea Pension Fund Statement of Accounts 2013/14

1 Background

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

2 Audit

- 2.1 The Wales Audit Office in partnership with Price Waterhouse Coopers (PWC) have audited the Pension Fund Statement of Accounts 2013/14 in line with their audit plan presented to Pension Fund Committee on 3 July 2014.
- 2.2 PWC have presented their findings at item 4 of this agenda.

3 Recommendation

- 3.1 The Pension Fund Committee is asked to approve the City & County of Swansea Pension Fund Statement of Accounts 2013/14 as attached at Appendix 1.

4 Legal Implications

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

5 Financial Implications

5.1 There are no financial implications arising from this report.

6 Equality and Engagement Implications

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

Background Papers: None.

Appendices: Appendix - City & County of Swansea Pension Fund Statement of Accounts 2013/14.

CITY & COUNTY OF SWANSEA PENSION FUND

1. Introduction

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


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

- The Fund Account which shows income and expenditure of the fund during the year, split between payments to/contributions from members and transactions relating to fund investments.

- The Net Assets Statement which gives a snapshot of the financial position of the fund as at 31st March 2014.

- The Notes to The Accounts which are designed to provide further explanation of some of the figures in the statement and to give a further understanding of the nature of the fund.

2 Summary of transactions for the year

Where the money comes from:-			And where it goes.....	
	£'000			£'000
Contributions and transfers in	87,392		Pensions Payable	49,588
			Lump sum benefits	17,206
Other	110		Refunds and transfers out	3,136
	<u>87,502</u>		Administrative expenses	1,022
				<u>70,952</u>

	£'000
Net new money into the Fund	16,550
Net return on investments	90,493
Increase in Fund value	<u>107,043</u>

The diagram illustrates the flow of money: from the left box (total 87,502) a large arrow points down to the bottom box (total 107,043). From the right box (total 70,952) a large arrow points down to the bottom box (total 107,043).

CITY & COUNTY OF SWANSEA PENSION FUND

Section 151 Officer's Certificate

I hereby certify that the statement of accounts on pages 141 to 178 present fairly the position of the Pension Fund at the accounting date and its income and expenditure for the year ended 31st March 2014.

CITY & COUNTY OF SWANSEA PENSION FUND

Fund Account For The Year Ended 31st March

2012/13	2013/14		
£'000	Notes	£'000	£'000
Contributions and benefits			
Contributions receivable :			
53,937	Employers contribution	3 58,554	
15,380	Members contribution	3 <u>16,133</u>	74,687
1,867	Transfers in	4	12,705
23	Other income	5	<u>110</u>
<u>71,207</u>			<u>87,502</u>
Benefits payable :			
-47,058	Pensions payable	6 -49,588	
-13,868	Lump sum benefits	6 <u>-17,206</u>	-66,794
Payments to and on account of leavers :			
-12	Refunds of contributions	7 -11	
-3,590	Transfers out	7 <u>-3,125</u>	-3,136
-1,037	Administrative expenses	8	<u>-1,022</u>
<u>5,642</u>	Net additions from dealing with members		<u>16,550</u>
 Returns on investments			
18,753	Investment income	9	24,456
139,791	Change in market value of investments	12	77,463
-6,439	Investment management expenses	8	<u>-11,426</u>
<u>152,105</u>	Net returns on investments		<u>90,493</u>
<u>157,747</u>	Net increase in the fund during the year		<u>107,043</u>
1,119,852	Opening Net Assets of the Fund		1,277,599
1,277,599	Closing Net Assets of the Fund		1,384,642

CITY & COUNTY OF SWANSEA PENSION FUND

Net Assets Statement As At 31 March

31st March 2013 (Reclassified)* £'000	Notes	31st March 2014 £'000
Investments at market value:		
1,240,512 Investment Assets	11	1,335,099
14,493 Cash Funds	12	13,866
21,497 Cash Deposits	12	29,232
1,744 Other Investment Balances - Dividends Due	12	2,063
1,278,246 Sub Total		1,380,260
5,278 Current Assets	16	15,097
-5,925 Current Liabilities	16	-10,715
<u>1,277,599 Net assets</u>		<u>1,384,642</u>

The financial statements on pages 141-173 summarise the transactions of the Fund and deal with the net assets at the disposal of the Pension Fund Committee. The financial statements do not take account of liabilities and other benefits which fall due after the period end. The actuarial position of the Fund, which does take account of such liabilities, is dealt with in the Statement of the Actuary in the Annual Report of the Pension Fund and a summary is included in Note 18 of this statement, and these accounts should be read in conjunction with this information.

*The reclassification as at the 31st March 2013 is explained in note 12.

Notes to the Financial Statements

1. Basis of preparation

The financial statements summarise the fund's transactions for the 2013/14 financial year and its position at year-end 31 March 2014. The financial statements have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2013/14* which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

2. Accounting Policies

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

(a) Contributions

Normal contributions, both from the members 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.

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

(b) Benefits

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

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

(c) Transfers to and from other Schemes

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

(d) Investments

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

CITY & COUNTY OF SWANSEA PENSION FUND

2. Accounting Policies (continued)

- ii) Listed investments are included at the quoted bid price as at 31st March.
- iii) Investments held in pooled investment vehicles are valued at the closing bid price at 31st March if both bid and offer price are published; or, if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax.
- iv) Unquoted securities and pooled investment vehicles 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 accruals basis.
- viii) Transaction costs are included in the cost of purchases and sales proceeds.
- ix) Investments held in foreign currencies have been translated into sterling values at the relevant rate ruling as at 31st March.
- x) Property Funds/Unit Trusts are valued at the bid market price, which is based upon regular independent valuation of the underlying property holdings of the Fund/Unit Trust.

e) Financial Instruments

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

f) Cash and Cash Funds

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

g) Investment Income

Investment income and interest received are accounted for on an accruals basis. When an investment is valued ex dividend, the dividend is included in the Fund account.

h) Other

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

CITY & COUNTY OF SWANSEA PENSION FUND

3. Analysis of Contributions

Total Contributions		Total Contributions	
2012/13 £'000		2013/14 £'000	
<u>Administering Authority</u>			
38,514	City & County of Swansea	41,711	
<u>Admitted Bodies</u>			
35	Babtie	11	
229	Celtic Community Leisure	235	
17	Colin Laver Heating Limited	13	
20	Swansea Bay Racial Equality Council	20	
83	Wales National Pool	100	
104	Capgemini	89	
1,900	NPT Homes	2,027	
20	Phoenix Trust	7	
1,109	Grwp Gwalia	1,182	
3,517	Total Admitted Bodies	3,684	
<u>Scheduled Bodies</u>			
5	Cilybebyll Community Council	6	
25	Coedffranc Community Council	25	
1,616	Gower College	1,637	
1,234	NPTC Group	1,639	
66	Neath Town Council	74	
22,982	Neath Port Talbot County Borough Council	24,490	
32	Margam Joint Crematorium Committee	21	
7	Peledda Community Council	6	
13	Pontardawe Town Council	14	
33	Swansea Bay Port Health Authority	34	
76	Swansea City Waste Disposal Company	26	
1,197	University of Wales Trinity St Davids	1,320	
27,286	Total Scheduled Bodies	29,292	
69,317	Total Contributions Receivable	74,687	

CITY & COUNTY OF SWANSEA PENSION FUND

3. Analysis of Contributions (continued)

The admission agreement for Babbie ceased on 4th July 2013 when their contract with Neath Port Talbot County Borough Council ended, therefore their participation in the Fund has now ceased.

Coleg Powys merged with Neath Port Talbot College with effect from 1st August 2013 to form NPTC Group. A direction was received from the Department of Communities and Local Government (DCLG) for the scheme members employed by Coleg Powys to be transferred from Powys Pension Fund to Neath Port Talbot College section of the Fund.

The admission agreement for Swansea Waste Disposal Company ceased from 1st August 2013 when that company's employees were transferred into the City and County of Swansea section of the Fund.

CITY & COUNTY OF SWANSEA PENSION FUND

3. Analysis of Contributions (continued)

Total Employer/Employee contributions comprise of:

2012/13		2013/14
£'000		£'000
52,340	Employers	55,436
1	Normal	9
1,596	Other	3,109
<u>53,937</u>	Early Access	<u>58,554</u>
	Total	<u>58,554</u>
15,346	Employees	16,105
34	Normal	28
<u>15,380</u>	Other	<u>16,133</u>
	Total	<u>16,133</u>
<u>69,317</u>	Total Contributions Receivable	<u>74,687</u>

4. Transfers In

Transfers in comprise of:

2012/13		2013/14
£'000		£'000
0	Group transfers from other schemes *	8,900
1,867	Individual transfers from other schemes	3,805
<u>1,867</u>	Total	<u>12,705</u>

* This figure represents a bulk transfer from the Powys Pension Fund in respect of Coleg Powys, who have merged with Neath Port Talbot College (a scheduled body within this Scheme) to form Neath Port Talbot College Group. The figure of £8.9m, represents an estimate made by the actuary of the Powys Pension Fund, of the transfer value in respect of Coleg Powys. This estimate will be reviewed by the Actuary for the City & County of Swansea Pension Fund when data becomes available.

5. Other Income

Other income comprise of:

2012/13		2013/14
£'000		£'000
13	Bank Interest	89
10	Early Access - Interest	21
<u>23</u>	Total	<u>110</u>

6. Benefits Payable

By category

2012/13		2013/14
£'000		£'000
47,058	Pensions	49,588
11,830	Commutation and lump sum retirement benefits	15,349
2,038	Lump sum death benefits	1,857
<u>60,926</u>	Total	<u>66,794</u>

CITY & COUNTY OF SWANSEA PENSION FUND

7. Payments to and on account of leavers

Transfers out and refunds comprise of:

2012/13		2013/14
£'000		£'000
12	Refunds to members leaving service	11
3,590	Individual transfers to other schemes	3,125
3,602	Total	3,136

8. Administrative and Investment Management Expenses

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

2012/13		2013/14
£'000		£'000
Administrative Expenses		
661	Support Services & Employee Costs	659
22	Actuarial Fees	45
41	Advisors Fees	43
40	External Audit Fees	58
22	Performance Monitoring Services Fees	25
25	Printing & Publications	23
217	Other	166
9	Pension Fund Committee	3
1,037		1,022
Investment Management Expenses		
3,204	Management Fees	4,378
3,120	Performance Fees	6,915
115	Custody Fees	133
6,439		11,426
7,476	Total	12,448

9. Investment Income

2012/13		2013/14
£'000		£'000
8,954	U.K. Equities	13,433
6,041	Overseas Equities	6,619
2,736	Managed Fund - Fixed Interest	3,055
842	Pooled Investment vehicles - Property Fund	1,006
175	Pooled Investment vehicles - Private Equity	341
5	Interest	2
18,753	Total	24,456

9. Investment Income (continued)

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

10. Taxation

a) United Kingdom

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

b) Overseas

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

CITY & COUNTY OF SWANSEA PENSION FUND

11. Investment Assets

	31st March 2013			31st March 2014		
	UK £'000	Overseas £'000	Total £'000	UK £'000	Overseas £'000	Total £'000
Equities						
Quoted	297,494	282,996	580,490	324,568	313,060	637,628
Pooled investment vehicles						
Managed Funds:						
Quoted:						
Equity	0	12,881	12,881	0	13,467	13,467
Fixed Interest	0	109,679	109,679	0	117,200	117,200
Unquoted:						
Equity	123,346	183,449	306,795	128,747	194,470	323,217
Fixed Interest	51,886	10,205	62,091	52,409	11,862	64,271
Index-linked	20,590	0	20,590	20,720	0	20,720
Property Unit Trust	5,296	0	5,296	6,107	0	6,107
Property Fund	26,552	29,304	55,856	31,056	31,560	62,616
Hedge Fund	0	44,891	44,891	0	49,060	49,060
Global Tactical Asset Allocation	0	17,109	17,109	0	15,529	15,529
Private Equity	0	24,834	24,834	0	25,284	25,284
Total pooled investment vehicles	227,670	432,352	660,022	239,039	458,432	697,471
Total equities and pooled investment vehicles	525,164	715,348	1,240,512	563,607	771,492	1,335,099

CITY & COUNTY OF SWANSEA PENSION FUND

11. Investment Assets (continued)

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

31st March 2013 £'000		Investment assets	31st March 2014 £'000	
171,770		Fixed interest	181,471	
20,590		Index linked securities	20,720	
420,840		U.K. equities	453,315	
61,152		Property	68,723	
44,891		Hedge Funds	49,060	
24,834		Private Equity	25,284	
17,109		Global Tactical Asset Allocation (GTAA)	15,529	
479,326		Overseas Equities	520,997	
1,240,512		Total investment assets	1,335,099	

CITY & COUNTY OF SWANSEA PENSION FUND

12. Reconciliation of movements in investments

	Value at 31st March 2013 (Reclassified)	Purchases	Sales	Change in Market Value	Value at 31st March 2014
	£'000	£'000	£'000	£'000	£'000
Equities					
Aberdeen	98,166	10,637	-8,478	-978	99,347
JPM	201,896	247,752	-240,647	16,306	225,307
Schroders	293,309	59,382	-52,629	26,379	326,441
L&G	306,795	5,730	-10,495	21,187	323,217
	<u>900,166</u>	<u>323,501</u>	<u>-312,249</u>	<u>62,894</u>	<u>974,312</u>
Property					
UK					
Schroders	31,848	1,984	0	3,331	37,163
Overseas					
Partners	16,797	4,047	-3,021	1,257	19,080
Invesco	12,507	0	-517	490	12,480
	<u>61,152</u>	<u>6,031</u>	<u>-3,538</u>	<u>5,078</u>	<u>68,723</u>
Fixed Interest					
Fixed Interest					
L&G	62,091	4,433	0	-2,253	64,271
Goldman	109,679	3,055	0	4,466	117,200
	<u>171,770</u>	<u>7,488</u>	<u>0</u>	<u>2,213</u>	<u>181,471</u>
Index-Linked					
L&G	20,590	887	0	-757	20,720
	<u>20,590</u>	<u>887</u>	<u>0</u>	<u>-757</u>	<u>20,720</u>
Hedge Funds					
BlackRock	23,609	0	-466	2,541	25,684
Faucher	21,282	0	-424	2,518	23,376
	<u>44,891</u>	<u>0</u>	<u>-890</u>	<u>5,059</u>	<u>49,060</u>
Private Equity					
HarbourVest	24,834	6,551	-10,403	4,302	25,284
	<u>24,834</u>	<u>6,551</u>	<u>-10,403</u>	<u>4,302</u>	<u>25,284</u>
Global Tactical Asset Allocation					
BlackRock	17,109	0	-163	-1,417	15,529
	<u>17,109</u>	<u>0</u>	<u>-163</u>	<u>-1,417</u>	<u>15,529</u>
Cash funds					
L&G	14,296	2,111	-2,666	89	13,830
Schroders	197	0	-162	1	36
	<u>14,493</u>	<u>2,111</u>	<u>-2,828</u>	<u>90</u>	<u>13,866</u>
Total	<u>1,255,005</u>	<u>346,569</u>	<u>-330,071</u>	<u>77,463</u>	<u>1,348,965</u>
Cash	<u>21,497</u>				<u>29,232</u>
Other Investment Balances - Dividends Due	<u>1,744</u>				<u>2,063</u>
TOTAL	<u>1,278,246</u>			<u>77,463</u>	<u>1,380,260</u>

CITY & COUNTY OF SWANSEA PENSION FUND

12. Reconciliation of movements in investments (continued)

At the 31st March 2013, the dividends due to the Fund have been reclassified as Other Investment Balances, having previously been included in Current Assets.

Transaction costs are included in the cost of purchase and sales proceeds. Identifiable transaction costs incurred in the year relating to segregated investments amounted to £388k (2012/13: £290k). Costs are also incurred by the Fund in relation to transactions in pooled investment vehicles. Such costs are taken into account in calculating the bid/offer spread of these investments and are not separately identifiable.

13. Concentration of Investments

The following investments represented 5% or more of the Fund's net assets at 31st March 2014:

	Value as at the 31st March 2013 £'000	Proportion of Net Asset %	Value as at the 31st March 2014 £'000	Proportion of Net Asset %
L&G UK Equity Index	123,346	9.7%	128,747	9.3%
Goldman Sachs Global Libor Plus II	109,679	8.6%	117,200	8.5%
L&G North America Equity Index	71,710	5.6%	76,747	5.5%

14. Realised Profit on the Sale of Investments

	2012/13 £'000	2013/14 £'000
3,429 U.K. Equities		15,280
14,132 Overseas		27,909
64 Property Fund		0
0 Cash Fund		3
	17,625	43,192
	Net Profit	

CITY & COUNTY OF SWANSEA PENSION FUND

15. Fixed Interest and Index Linked Investments

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

31st March 2013		31st March 2014
£'000		£'000
78,289	UK Public Sector	115,086
114,071	Other	87,105
192,360		202,191

16. Current Assets and Liabilities

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

31st March 2013 (Reclassified)		31st March 2014
£'000		£'000
Current Assets		
616	Contributions - Members	613
2,024	Contributions - Employers	2,011
786	Early Access Debtor	2,120
415	Transfer Values	9,232
1,437	Other	1,121
5,278		15,097
Current Liabilities		
-1,563	Investment Management Expenses	-4,321
-1,601	Commutation and lump sum retirement benefits	-3,873
-455	Lump sum death benefits	-688
-1,445	Transfers to Other Schemes	-895
-514	Payroll Deductions - Tax	-538
-347	Other	-400
-5,925		-10,715
-647 Net		4,382

Analysed as:

31st March 2013 (Reclassified)		31st March 2014
£'000		£'000
Current Assets		
698	Central Government Bodies	774
3,850	Other Local Authorities	13,655
0	Public Corporations & Trading Funds	2
730	Other Entities and Individuals	666
5,278		15,097
Current Liabilities		
-2	Central Government Bodies	-38
-1,475	Other Local Authorities	-2,677
-4,448	Other Entities and Individuals	-8,000
-5,925		-10,715
-647 Net		4,382

The reclassification is explained in Note 12

CITY & COUNTY OF SWANSEA PENSION FUND

16. Current Assets & Liabilities (continued)

Early Access Debtor

	Instalment Due 2014/15 £'000	Instalment Due 2015/16 £'000	Instalment Due 2016/17 £'000	Instalment Due 2017/18 £'000	Total £'000
Early Access Principal Debtor	1,658	240	209	13	2,120
Early Access Interest Debtor	25	19	17	1	62
Total (Gross)	1,683	259	226	14	2,182

17. Capital and Contractual Commitments

As at 31st March 2014 the Scheme was committed to providing funding to appointed managers investing in unquoted securities. These commitments amounted to £40.3m (2012/13 : £53.3m).

18. Actuarial Present Value of Promised Retirement Benefits - Statement of the Actuary for the year ended 31 March 2014

Introduction

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

Actuarial Position

1. The valuation as at 31 March 2013 showed that the funding ratio of the Fund had increased since the previous valuation with the market value of the Fund's assets at that date (of £1,227.6M) covering 81% of the liabilities allowing, in the case of current contributors to the Fund, for future increases in pensionable pay.
2. The valuation also showed that the aggregate level of contributions required to be paid by participating employers with effect from 1 April 2014 is:
 - 16.2% of pensionable pay. This is the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date.
Plus
 - 5.7% of pensionable pay to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 25 years from 1 April 2014, if the membership remains broadly stable and pay increases are in line with the rate assumed at the valuation of 3.9% p.a.
3. In practice, each individual employer's position is assessed separately and contributions are set out in Aon Hewitt Limited's report dated 31 March 2014 (the "actuarial valuation report"). In addition to the contributions shown above, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.
4. The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement. Different approaches adopted in implementing contribution increases and individual employers' recovery periods are set out in the actuarial valuation report.
5. The valuation was carried out using the projected unit actuarial method for most employers and the main actuarial assumptions used for assessing the funding target and the contribution rates as set out on the following page.

CITY & COUNTY OF SWANSEA PENSION FUND

18. Actuarial Present Value of Promised Retirement Benefits - Statement of the Actuary for the year ended 31 March 2014 (continued)

The main actuarial assumptions were as follows:

Discount rate

In service:

Scheduled and subsumption bodies	5.6% a year
Orphan bodies	5.2% p.a

After leaving service

Scheduled and subsumption bodies	5.6%p.a.
Orphan bodies	3.9%p.a.
Rate of general pay increases	3.9% p.a.
Rate of increases to pension accounts	2.4% p.a.
Rate of increase in pensions in payment	2.4% p.a.
Valuation of assets	market value

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

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

7. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2014 to 31 March 2017 were signed on 31 March 2014. Contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2016.

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

9. This Statement has been prepared by the current Actuary to the Fund, Aon Hewitt Limited, for inclusion in the accounts of the Fund. It provides a summary of the results of their actuarial valuation which was carried out as at 31 March 2013. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required. This Statement must not be considered without reference to the formal actuarial valuation report which details fully the context and limitations of the actuarial valuation.

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

Aon Hewitt Limited
Jun-14

CITY & COUNTY OF SWANSEA PENSION FUND

18. Actuarial Present Value of Promised Retirement Benefits - Statement of the Actuary for the year ended 31 March 2014 (continued)

Definitions

Admission Body

An employer admitted to the Fund under an admission agreement.

Orphan Body

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

Scheduled Body

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

Subsumption and subsumption body

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

Certificate of the Actuary Regarding the Contributions Payable by the Employing Authorities in 2013/14

In accordance with Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 (the "Administration Regulations"), we certify that contributions should be paid by Employers at the following rates for the period 1st April 2011 to 31st March 2014.

i) A common rate of 14.6% of Pensionable Pay.

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

CITY & COUNTY OF SWANSEA PENSION FUND

18. Actuarial Present Value of Promised Retirement Benefits - Statement of the Actuary for the year ended 31 March 2014 (continued)

Employer		2011	2012	2013
		% Pensionable Pay	% Pensionable Pay	% Pensionable Pay
Administering Authority				
City and County of Swansea		20.5	22.1	22.4
Scheduled Bodies				
Neath Port Talbot County Borough Council		21.5	21.9	22.0
	Contribution Rate 1 April 2011 to 31 March 2014	Additional Monetary Amount Year Commencing 1 April		
	% Pay	2011	2012	2013
Scheduled Bodies		£	£	£
Coedffranc Community Council	19.1	11,000	11,600	12,200
Margam Joint Crematorium Committee	19.1	11,000	11,600	12,200
Neath Town Council	19.1	14,000	14,700	15,500
Swansea Bay Port Health Authority	19.1	15,000	15,800	16,600
Neath Port Talbot College	13.9	175,000	184,000	194,000
Swansea Metropolitan University	14.4	275,000	290,000	305,000
Gower College	14.1	206,000	217,000	228,000
Swansea City Waste Disposal Company	18.3	29,000	30,700	32,300
Pontardawe Town Council	19.3	220	230	240
Cilybebyll Community Council	20.5	-	-	-
Pelenna Community Council	17.1	360	380	400
Admitted Bodies				
Colin Laver Heating Limited	19.7	-	-	-
Swansea Bay Racial Equality Council	23.7	2,300	2,400	2,600
Babtie Group	14.6	-	-	-
Celtic Community Leisure	11.1	-	-	-
Wales National Pool	14.5	-	-	-
Capgemini	18.7	-	-	-
Phoenix Trust	13.9	-	-	-
NPT Homes	15.1	-	-	-

These 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.

In addition, any extra liabilities falling on the Fund in respect of retirements under Regulation 18,19 or 30 of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2008 (the "Benefits Regulations") should be financed by additional Employer contributions, calculated in a manner advised by the Actuary and payable over a period of 3 years.

In addition, any additional benefits granted under Benefits Regulation 12 or 13 should be financed by additional Employer contributions, under Administration Regulation 40 or as calculated in a manner advised by the actuary.

Additional contributions may be payable by any Admitted Bodies which have ceased to participate in the fund since 31 March 2010 and will be certified separately.

Contribution rates for Employers commencing participation in the Fund after 31 March 2010 will be advised separately.

CITY & COUNTY OF SWANSEA PENSION FUND

18. Actuarial Present Value of Promised Retirement Benefits - Statement of the Actuary for the year ended 31 March 2014 (continued)

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

19. Related party transactions

£659k (£661k 2012/13) was paid to the City & County of Swansea for the recharge of Administration, I.T., Finance and Legal Services during the year.

Contributions received from admitted and scheduled bodies as detailed on page 147.

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

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

The Pension Fund currently has 32 scheduled and admitted bodies. Management of the Pension Scheme Investment Fund is undertaken by a panel. The panel is advised by two independent advisors.

Governance

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

CITY & COUNTY OF SWANSEA PENSION FUND

20. Additional Voluntary Contributions

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

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

AVC Provider	Value of Funds at 1st April 2013	Purchases at Cost (Contributions In/Out)	Sale Proceeds	Change in Market Value	Funds at 31st March 2014
	£'000	£'000	£'000	£'000	£'000
Prudential	2,644	1,162	-1,117	36	2,725
Aegon	1,535	50	-337	104	1,352
Equitable Life	400	2	-46	17	373
Totals	4,579	1,214	-1,500	157	4,450

CITY & COUNTY OF SWANSEA PENSION FUND

21. Membership

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

Detailed national regulations govern the rates of contribution by employees and employers, as well as benefits payable. At 31st March 2014 there were 15,576 contributors, 10,833 pensioners and 9,663 deferred pensioners.

Membership statistics	31st March 2010 Number	31st March 2011 Number	31st March 2012 Number	31st March 2013 Number	31st March 2014 Number
Contributors	14,744	14,524	14,179	14,586	15,576
Pensioners	9,302	9,600	10,027	10,432	10,833
Deferred Pensioners	7,248	7,614	8,204	8,815	9,663
Total	31,294	31,738	32,410	33,833	36,072

See Appendix 1 for current year analysis

22. Fair Value of Investments

Financial Instruments

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

Financial Instruments - Gains & Losses

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

Fair Value – Hierarchy

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

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

The table on the following page shows the position of the Fund's assets at 31st March 2013 and 2014 based upon this hierarchy:

CITY & COUNTY OF SWANSEA PENSION FUND

22. Fair Value of Investments (continued)

	31 March 2013			31 March 2014				
	Market Value £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	Market Value £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Equities								
UK Equities	297,494	297,494	-	-	324,568	324,568	-	-
Overseas Equities	282,996	282,996	-	-	313,060	313,060	-	-
Pooled Investment Vehicles								
Fixed-Interest Funds	109,679	-	109,679	-	117,200	-	117,200	-
UK Equity	123,346	-	123,346	-	128,747	-	128,747	-
Overseas Equity	196,330	-	196,330	-	207,937	-	207,937	-
Fixed Interest	62,091	-	62,091	-	64,271	-	64,271	-
Index-linked	20,590	-	20,590	-	20,720	-	20,720	-
Property Unit Trust	5,296	-	5,296	-	6,107	-	6,107	-
Property Fund	55,856	-	26,552	29,304	62,616	-	31,056	31,560
Hedge Fund	44,891	-	-	44,891	49,060	-	-	49,060
Global Tactical Asset Allocation	17,109	-	-	17,109	15,529	-	-	15,529
Private Equity	24,834	-	-	24,834	25,284	-	-	25,284
Cash	35,990	35,990	-	-	43,098	43,098	-	-
Other Investment Balances -								
Dividends Due	1,744	1,744	-	-	2,063	2,063	-	-
Total	1,278,246	618,224	543,884	116,138	1,380,260	682,789	576,038	121,433

23. INVESTMENT RISKS

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

Procedures for Managing Risk

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

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

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

Manager Risk

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

CITY & COUNTY OF SWANSEA PENSION FUND

23. INVESTMENT RISKS (continued)

Credit Risk

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

There has been no historical experience of default on the investments held by the pension fund.

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

- The Fund's active fixed-interest bond portfolio £117,200k is managed (by Goldman Sachs) on an unconstrained basis and has a significant exposure to credit, emerging market debt and loans. At 31st March 2014, the Fund's exposure to non-investment grade paper was 10.8% of the actively managed fixed income portfolio.
- On private equity the Fund's investments are almost entirely in the equity of the companies concerned. The Fund's private equity investments of £25,284K are managed by Harbourvest in a fund of funds portfolio.

On hedge fund of funds and multi-strategy vehicles, underlying managers have in place a broad range of derivatives. The Fund's exposure to hedge funds through its managers at 31st March 2014 is set out below with their relative exposure to credit risk.

	March 2014 £'000	Credit Exposure
Fauchier Partners	23,376	14.2%
Blackrock	25,684	22.4%

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.

CITY & COUNTY OF SWANSEA PENSION FUND

23. INVESTMENT RISKS (continued)

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

Specifically on investments, the Fund holds through its managers a mixture of liquid, semi-liquid and illiquid assets. Whilst the Fund's investment managers have substantial discretionary powers regarding their individual portfolios and the management of their cash positions, they hold within their pooled vehicles a large value of very liquid securities, such as equities and bonds quoted on major stock exchanges, which can easily be realised. Traditional equities and bonds now comprise 83% of the Fund's value and, whilst there will be some slightly less liquid elements within this figure (emerging market equities and debt for example), the funds investing in these securities offer monthly trading at least – often weekly or fortnightly.

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

The table below analyses the value of the Fund's investments at 31st March 2014 by liquidity profile.

	Amounts at				
	31st March 2014 £000s	Within 1 month £000s	1-3 months £000s	4-12 months £000s	> 1 Year £000s
Equities					
UK Equities	324,568	324,568	0	0	0
Overseas Equities	313,060	313,060	0	0	0
Pooled Investment Vehicles					
Fixed-Interest Funds	117,200	117,200	0	0	0
UK Equity	128,747	128,747	0	0	0
Overseas Equity	207,937	207,937	0	0	0
Fixed Interest	64,271	64,271	0	0	0
Index-linked	20,720	20,720	0	0	0
Property Unit Trust	6,107	0	0	6,107	0
Property Fund	62,616	0	0	31,056	31,560
Hedge Fund	49,060	0	0	49,060	0
Global Tactical Asset Allocation	15,529	0	0	15,529	0
Private Equity	25,284	0	0	0	25,284
Deposits with banks and other financial institutions	43,098	43,098	0	0	0
Other Investment Balances - Dividends Due	2,063	2,063	0	0	0
Total	1,380,260	1,221,664	0	101,752	56,844

23. INVESTMENT RISKS (continued)

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

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

This means that, whilst all these monies have been designated closed-ended and thereby illiquid on the basis of their usual "10-year life", many are closer to maturity than implied by this broad designation. As can be seen from the table, even using the conservative basis outlined above, around 88% of the portfolio is realisable within 1 month and 96% 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 risks by exceeding market performance.

The table on the following page sets out an analysis of the Fund's market risk positions at 31 March 2014 by showing the amount invested in each asset class and through each manager within each main asset class, the index used as a benchmark and the target set for managers against this benchmark.

CITY & COUNTY OF SWANSEA PENSION FUND

23. INVESTMENT RISKS (continued)

Asset Class	Asset Allocation	Fund Manager		Benchmark	Performance target
		Passive	Active		
UK Equities	34% +/- 5%	14% L&G	20% Schroders	FTSE allshare	+3% p.a. over rolling 3year
Overseas Equities	34% +/- 5%	13% L&G	21% JP Morgan & Aberdeen Aberdeen	MSCI World all share (ex UK) MSCI Frontier Markets Index	+3% p.a. over rolling 3year +% p.a. over rolling 3year
Global Fixed Interest	15% +/- 5%	6% L&G	9% Goldman Sachs	Composite benchmark Standard Barclays Capital Aggregate	LIBOR +3% Barclays Capital Aggregate +0.75% over rolling 3year
Property	5% +/- 5%	-	5% Schroders, Partners & Invesco	IPD UK Pooled Property Fund Index	+ 1% p.a. over rolling 3 year, 8% absolute return
Hedge Funds	5% +/- 5%	-	5% Blackrock & Fauchier Partners	LIBOR	+4%
Private Equity	3% +/- 5%	-	3% Harbourvest	FTSE allshare	+3% p.a. over 3 year rolling
Global Tactical Asset Allocation	2% +/- 5%	-	2% BGI/Blackrock	LIBOR	+4%
Cash	2% +/- 5%	-	2% In house and cash flows of fund managers	7day LIBID	7day LIBID
TOTAL	100%	33%	67%		

The risks associated with volatility in market values are managed mainly through a policy of broad asset diversification. The Fund sets restrictions on the type of investment it can hold through investment limits, in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. The Fund also adopts a specific strategic benchmark (details can be found in the Fund's SIP summarised above) and the weightings of the various asset classes within the benchmark form the basis for asset allocation within the Fund. Under normal conditions there is quarterly rebalancing to this strategic benchmark within fixed tolerances. This allocation, determined through the Fund's asset allocation, is designed to diversify and minimise risk 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.

Price Risk

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

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

CITY & COUNTY OF SWANSEA PENSION FUND

23. INVESTMENT RISKS (continued)

The fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Pension Fund Committee to ensure it is within limits specified in the fund investment strategy.

Following analysis of historical data and expected investment return movement during the financial year, and in consultation with the fund's investment advisors, the council has determined that the following movements in market price risk are reasonably possible. Had the market price of the fund investments increased/decreased in line with the potential market movements, the change in the net assets available to pay benefits in the market price as at 31 March 2014 would have been as follows:

Price Risk

Asset Type	Value (£'000)	% Change	Value on Increase	Value on Decrease
UK Equities	453,315	12.59%	510,387	396,243
Overseas Equities	520,997	12.13%	584,194	457,800
Total Bonds & Index-Linked	202,191	2.47%	207,185	197,197
Cash	43,098	0.02%	43,107	43,089
Property	68,723	2.61%	70,517	66,929
Alternatives	89,873	3.00%	92,569	87,177
Other Investment Balances	2,063	0.00%	2,063	2,063
Total Assets*	1,380,260	8.35%	1,495,512	1,265,008

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

and as at 31 March 2013:

Price Risk

Asset Type	Value (£'000)	% Change	Value on Increase	Value on Decrease
UK Equities	420,840	13.4%	477,148	364,532
Overseas Equities	479,326	13.1%	542,022	416,630
Total Bonds & Index Linked	192,360	2.6%	197,342	187,378
Cash	35,990	0.0%	35,994	35,986
Property	61,152	3.0%	63,011	59,293
Alternatives	86,834	3.3%	89,726	83,942
Other Investment Balances	1,744	0.0%	1,744	1,744
Total Assets*	1,278,246	8.8%	1,390,220	1,166,272

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

CITY & COUNTY OF SWANSEA PENSION FUND

23. INVESTMENT RISKS (continued)

Currency Risk

fluctuate because of changes in foreign exchange rates. The fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the fund (£UK). The fund holds both monetary and non-monetary assets denominated in currencies other than £UK.

In consultation with the fund's investment advisors, the council has determined that the following movements in currencies are reasonably possible. The following represents a sensitivity analysis associated with foreign exchange movements as at 31 March 2014:

Currency Risk (by currency)				
Currency	Value (£'000)	% Change	Value on Increase	Value on Decrease
Australian Dollar	5,099	9.80%	5,599	4,599
Brazilian Real	8,090	12.69%	9,117	7,063
Canadian Dollar	9,422	6.04%	9,991	8,853
Danish Krone	1,415	6.26%	1,504	1,326
EURO	89,647	6.31%	95,304	83,990
Hong Kong Dollar	6,029	7.98%	6,510	5,548
Indian Rupee	5,766	10.84%	6,391	5,141
Indonesian Rupiah	2,094	11.05%	2,325	1,863
Israeli Shekel	628	6.94%	672	584
Japanese Yen	36,631	11.54%	40,858	32,404
Mexican Peso	2,357	10.03%	2,593	2,121
Norwegian Krone	745	8.79%	810	680
Singapore Dollar	3,181	5.71%	3,363	2,999
South African Rand	2,236	11.31%	2,489	1,983
South Korean Won	6,251	6.56%	6,661	5,841
Swedish Krona	6,347	7.03%	6,793	5,901
Swiss Franc	27,523	7.42%	29,565	25,481
Taiwan Dollar	4,873	5.63%	5,147	4,599
US Dollar	162,996	8.07%	176,150	149,842
Other	7,091	5.21%	7,460	6,722
North America Basket	76,747	7.61%	82,587	70,907
Europe ex UK Basket	50,213	6.01%	53,231	47,195
Asia Pacific ex Japan Basket	18,817	6.11%	19,967	17,667
Emerging Basket	43,402	6.37%	46,167	40,637
Total Currency*	577,600	5.13%	607,210	547,990

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

CITY & COUNTY OF SWANSEA PENSION FUND

23. INVESTMENT RISKS (continued)

and as at 31 March 2013:

Currency Risk (by currency)				
Currency	Value (£'000)	% Change	Value on Increase	Value on Decrease
Australian Dollar	4,631	10.0%	5,092	4,170
Brazilian Real	8,367	11.6%	9,339	7,395
Canadian Dollar	7,687	5.6%	8,118	7,256
Danish Krone	423	7.7%	456	390
EURO	71,274	7.8%	76,833	65,715
Hong Kong Dollar	7,197	8.5%	7,812	6,582
Indian Rupee	3,589	9.3%	3,922	3,256
Indonesian Rupiah	1,739	7.1%	1,862	1,616
Japanese Yen	38,999	11.8%	43,589	34,409
Mexican Peso	3,466	9.3%	3,788	3,144
Norwegian Krone	504	9.0%	550	458
Singapore Dollar	3,383	5.8%	3,579	3,187
South African Rand	1,577	12.0%	1,765	1,389
South Korean Won	6,397	7.6%	6,880	5,914
Swedish Krona	5,079	8.1%	5,492	4,666
Swiss Franc	25,052	9.4%	27,397	22,707
Taiwan Dollar	4,725	7.2%	5,063	4,387
Thai Baht	485	7.9%	523	447
Turkish Lira	1,787	8.8%	1,944	1,630
US Dollar	148,583	8.7%	161,569	135,597
Other	10,246	5.3%	10,789	9,703
North America Basket	71,710	8.3%	77,662	65,758
Europe ex UK Basket	43,392	7.2%	46,503	40,281
Asia Pacific ex Japan Basket	20,151	6.3%	21,423	18,879
Emerging Basket	43,021	6.4%	45,787	40,255
Total Currency*	533,464	5.2%	561,462	505,466

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

24. Further Information

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

25. Financial Position

The accounts outlined within the statement represent the financial position of the City and County of Swansea Pension Fund at 31st March 2014.

CITY & COUNTY OF SWANSEA PENSION FUND

Appendix 1

SCHEDULE OF EMPLOYING BODIES AND CONTRIBUTION RATES FOR THE PERIOD 1ST APRIL 2013 TO 31ST MARCH 2014

Administering Authority	Contributors	Pensioners	Deferred Benefits	Employer Contribution Rate (% of Pensionable Pay) plus additional annual monetary amount
	Number @ 31/03/14	Number @ 31/03/14	Number @ 31/03/14	
City & County of Swansea	8,136	4,430	4,207	22.4%
Scheduled Bodies				
Neath Port Talbot County Borough Council	5,341	3,027	3,927	22.0%
Briton Ferry Town Council	0	1	1	-
Cilybebyll Community Council	5	0	1	20.5%
Clydach Community Council	0	0	1	-
Coedffranc Community Council	2	3	1	19.1% (+ £11,600)
Gower College	401	184	373	14.1% (+ £217,000)
Lliw Valley BC	0	260	28	-
Margam Joint Crematorium Committee	2	13	5	19.1% (+ £11,600)
NPTC Group	537	180	305	13.9% (+ £184,000)
Neath Port Talbot Waste Management Co.	0	1	0	-
Neath Town Council	13	13	7	19.1% (+ £14,700)
Pelenna Community Council	2	1	3	17.1% (+ £380)
Pontardawe Town Council	5	1	0	19.3% (+ £230)
Swansea Bay Port Health Authority	2	9	2	19.1% (+ £15,800)
Swansea City Waste Disposal Company	0	18	3	18.3% (+ £30,700)
University of Wales Trinity St Davids	248	106	184	14.4% (+ £290,000)
West Glamorgan County Council	0	2,406	340	-
West Glamorgan Magistrates Courts	0	38	19	-
West Glamorgan Probation Service	0	56	9	-
West Glamorgan Valuation Panel	0	5	0	-
Admitted Bodies				
BABTIE	0	3	11	14.6%
Celtic Community Leisure	119	27	115	11.1%
Colin Laver Heating Limited	2	0	2	19.7%
Swansea Bay Racial Equality Council	2	0	1	23.7% (+ £2,400)
The Careers Business	0	4	11	-
Wales National Pool	52	3	38	14.5%
West Wales Arts Association	0	2	0	-
Capgemini	11	1	4	18.7%
NPT Homes	410	26	34	15.1%
Phoenix Trust	1	1	3	13.9%
Grwp Gwalia	285	14	28	20.4%
Total	15,576	10,833	9,663	

Legislative Changes in the Local Government Pension Scheme (LGPS)

LGPS 2014

A Government review of public sector pension schemes in 2011, chaired by Lord Hutton, recommended that significant reform was required to make them more sustainable and affordable in the long term, fair to public workers and the tax payer.

In response to the review, the Public Services Pensions Act 2013 provides the framework for reform and specifies some of the changes to be reflected in the new public sector schemes.

The majority of public sector schemes will be revised with effect from 1 April 2015; however, as part of the discussions to determine the terms of the new scheme, the Government agreed that the reformed Local Government Pension Scheme in England and Wales would come into effect on 1st April 2014, one year earlier than other public service schemes.

A consultation exercise took place during 2013 and the following regulations issued, which are effective from 1 April 2014.

a) The Local Government Pension Scheme Regulations 2013 were made on 12 September 2013.

The main changes include :

- A Career Average Revalued Earnings (CARE) Scheme where benefits accrue at 1/49th of pensionable pay for each year of membership and will subsequently be revalued by CPI.
- The definition of pensionable pay now includes non-contractual overtime and additional hours.
- Tiered contribution rates have now been extended and range from 5.5% for employees earning less than £13,500 per annum to 12.5% for employees earning more than £150,000 per annum.
- The rate of contribution is matched to actual pensionable pay rather than the whole-time equivalent of pensionable pay which has resulted in many part-time employees paying lower rate contributions.

Legislative Changes in the Local Government Pension Scheme (LGPS) (continued)

- Contribution flexibility has been introduced where members can pay 50% contributions for 50% of pension benefits.
- Normal Pension Age in the LGPS is equal to the individual member's State Pension Age.
- For new contracts commenced on or after 1 April 2014, the amount LGPS members may pay as Additional Voluntary Contributions (AVCs) is increased to 100% of pensionable pay; however, the amount of tax free cash available from the AVC fund at retirement is limited to 25% of the member's total AVC pot (tax implications would apply where the growth in pension benefits, including any AVC's paid, exceeds £40,000 in one year).

b) The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 were made on 5 March 2014 and confirm that :

- Accrued pension rights built up to 31 March 2014 retain the final salary link for those employees who were LGPS members on 31 March 2014.
- Provide a statutory underpin, to ensure a pension, at least equal to that under the 2008 Scheme for those members who were within 10 years of their Normal Pension Age on 1 April 2012.

Consultation - Reform of the LGPS Structure

In June 2013, the Government launched a call for evidence on the future structure of the LGPS to determine ways of significantly reducing the costs of the Scheme.

Building on the responses to the call for evidence, a consultation was issued on 1 May 2014, to be completed by 11 July 2014, setting out the Government's preferred approach to reform and seeking views, if adopted, how these reforms might be implemented effectively.

Investment Fund Management

The investment of the Fund is the responsibility of the Pension Fund Committee. The Committee as at 31st March 2014 comprised of :

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

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

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

The investment managers are:

- Global Equities - JP Morgan Asset Management and Aberdeen Asset Management
- Global Bonds - Goldman Sachs Asset Management
- Fund of Hedge Funds - BlackRock and Fauchier Partners
- Fund of Private Equity Funds - Harbourvest
- Property - Invesco
- Fund of Property Funds - Partners Group and Schroders Investment Management
- Global Tactical Asset Allocation (GTAA) - BlackRock (ex BGI)

Other Fund Documents

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

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

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

Agenda Item 6

Report of the Head of Legal, Democratic Services & Procurement

Pension Fund Committee – 18 September 2014

EXCLUSION OF THE PUBLIC

Purpose:	To consider whether the Public should be excluded from the following items of business.	
Policy Framework:	None.	
Reason for Decision:	To comply with legislation.	
Consultation:	Legal.	
Recommendation(s):	It is recommended that:	
1)	The public be excluded from the meeting during consideration of the following item(s) of business on the grounds that it / they involve(s) the likely disclosure of exempt information as set out in the Paragraphs listed below of Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007 subject to the Public Interest Test (where appropriate) being applied.	
	Item No.	Relevant Paragraphs in Schedule 12A
	7	14
	7a	14
	8	14
	8a	14
	9	14
	10	14
	10a	14
	10b	14
	10c	14
Report Author:	Democratic Services	
Finance Officer:	Not Applicable	
Legal Officer:	Patrick Arran – Head of Legal, Democratic Services and Procurement (Monitoring Officer)	

1. Introduction

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

2. Exclusion of the Public / Public Interest Test

- 2.1 In order to comply with the above mentioned legislation, Cabinet will be requested to exclude the public from the meeting during consideration of the item(s) of business identified in the recommendation(s) to the report on the grounds that it / they involve(s) the likely disclosure of exempt information as set out in the Exclusion Paragraphs of Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007.
- 2.2 Information which falls within paragraphs 12 to 15, 17 and 18 of Schedule 12A of the Local Government Act 1972 as amended is exempt information if and so long as in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.
- 2.3 The specific Exclusion Paragraphs and the Public Interest Tests to be applied are listed in **Appendix A**.
- 2.4 Where paragraph 16 of the Schedule 12A applies there is no public interest test. Councillors are able to consider whether they wish to waive their legal privilege in the information, however, given that this may place the Council in a position of risk, it is not something that should be done as a matter of routine.

3. Financial Implications

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

4. Legal Implications

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

Background Papers: None.

Appendices: Appendix A – Public Interest Test.

Public Interest Test

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

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

Agenda Item 7a

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

Document is Restricted

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

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Agenda Item 9

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

Document is Restricted