

REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 4

STATEMENT OF ACCOUNTS AND ANNUAL REPORT FOR 2017-18

Reason for this Report

1. The Pension Committee Terms of Reference set out the Committee's responsibility for the strategic governance of the Cardiff & Vale of Glamorgan Pension Fund.
2. The Terms of Reference include considering the Fund's financial statements and agreeing the Annual Report.

Background

3. Draft accounts for the Cardiff & Vale of Glamorgan Pension Fund for the financial year ending 31 March 2018 were prepared and presented to the Wales Audit Office on 18 June 2018.
4. The final accounts are due to go to Council at the meeting on 27 September 2018.

Audit of the Statement of Accounts

5. The audit has now been completed and the auditor's draft 'Audit of Financial Statements Report' for the Pension Fund is attached as Appendix 1. The Auditor General intends to issue an unqualified audit report on the financial statements once they have been provided with the Letter of Representation included in Appendix 1 of the Report. There are no misstatements which remain uncorrected. The report refers to the main corrections made by management.
6. WAO's Audit of Financial Statements Report also highlights a number of qualitative findings as follows:
 - We have no concerns about the qualitative aspects of your accounting practices and financial reporting.
 - We did not encounter any significant difficulties during the audit.
 - 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.
- There are not any other matters specifically required by auditing standards to be communicated to those charged with governance.

Investment Performance

7. Investment Performance is reported quarterly to the Investment Advisory Panel. Over the financial year the Fund's return on its investments was 3.2% against a benchmark return of 3.8%.
8. The benchmark return reflects the strategic asset allocation during the year and the returns from the various markets in which the Fund is invested. At the start of the year, 39% of the Fund was benchmarked against UK Equities (FTSE All Share Index) and a further 10% was allocated to US Equities (FTSE USA Index). Both these markets made very low gains over the year of 1.2% and 1.8% respectively. Other overseas equities markets made more significant gains ranging from 3.9% in Europe to 11.8% in Emerging Markets. The best performing asset class was UK Property where the return for the market index was 10.0%.
9. The Fund's return relative to the benchmark reflects the actual allocation during the year together with the performance of the Fund's investment managers. Although allocations remained within the ranges allowed by the strategy, the Fund had an overweight position in Equities (particularly UK and US equities) for most of the year and was also underweight on its allocation to UK Property. These positions, together with the negative returns from two of the three active managers for UK Equities and the underperformance of the Emerging Markets portfolio, were the main contributors to the overall underperformance of the Fund.

Annual Report

10. The Statement of Accounts form the core of the Fund's Annual Report which is published annually following the completion of the audit. The draft Annual Report is attached as Appendix 2.
11. In addition to the financial statements the report includes:
 - The names of the members of the Pensions Committee, the Investment Advisory Panel and the Local Pension Board
 - Details of the Fund's Investment Managers and Professional Advisers
 - A summary of the administration arrangements for the Fund
 - An Investment Management and Performance Report
 - A statement from the Fund Actuaries
 - An Appendix containing statistical data, a glossary and contact details for further information
12. The Annual Report will be published in English and Welsh on the Council's website by the statutory deadline of 1 December.

Legal Implications

13. The Statement of Accounts and Annual Report are technical documents, the contents of which Legal Services are unable to comment upon. It is understood by Legal Services

that these documents are drafted with assistance from external advisors and on the basis of the information contained in the report there are no concerns raised by the Wales Audit Office. It is noted that the Annual Report is still in draft format and any changes that are made prior to publication should receive the benefit of advice from the Councils specialised advisors in this regard. The recommendation does not appear to raise any specific legal implications however the general legal advice set out below should be considered.

14. As with approval of all technical documents this decision must (a) be within the legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers on behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council eg. standing orders and financial regulations; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its tax payers; and (h) be reasonable and proper in all the circumstances and comply with any equalities legislation.

Financial Implications

15. There are no direct financial implications arising from this report.

Recommendations

16. That the Committee notes the Auditor's Report.
17. That the Committee approves the Annual Report for the Fund for 2017-18

CHRISTINE SALTER
CORPORATE DIRECTOR RESOURCES

The following Appendices are attached:

- Appendix 1 – Draft Auditor's Report for 2017-18
- Appendix 2 – Draft Annual Report for 2017-18