Audit and Governance Committee Agenda Supplement

Date:	Wednesday 10 May 2023
Time:	10.00 am
Venue:	The Oculus, Buckinghamshire Council, Gatehouse Road, Aylesbury HP19 8FF

If you would like to attend a meeting, but need extra help to do so, for example because of a disability, please contact us as early as possible, so that we can try to put the right support in place.

For further information please contact: Leslie Ashton democracy@buckinghamshire.gov.uk

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Report to Audit and Governance Committee

Date: 10th May 2023

Reference number: N/A

Title: Buckinghamshire Pension Fund Accounts to 31st March 2022

Relevant councillor(s): N/A

Author and/or contact officer: David Skinner (S151)

Ward(s) affected: Not applicable

Recommendations: The Committee is asked to review the audited Statement of Accounts for Buckinghamshire Pension Fund for the year ended 31st March 2022.

The Committee is asked to approve management's proposed treatment of areas identified by the auditor.

Executive Summary

1.1 The audited Statement of Accounts for the Buckinghamshire Pension Fund for the year ended 31 March 2022 is attached as Appendix 1. The Pension Fund Accounts and Net Assets Statement show that in the year to 31st March 2022 the value of the Pension Fund increased by £275m to £3.913bn. The audit work was completed remotely by Grant Thornton. Grant Thornton's work is substantially complete and they have not identified any adjustments to the financial statements which have an impact on the Pension Fund's reported financial position.

Content of report

1.2 The Pension Fund Accounts and Net Assets Statement show that in the year to 31st March 2022 the value of the Pension Fund increased by £275m to £3.913bn. This is the net result of the contributions made (£169m) including transfers in from other pension schemes, employers' and employees' contributions; payments out £144m including pensions, commutations, lump sum retirement benefit and death benefits; management expenses £17m plus net returns on investments (£268m).

1.3 The table below summarises the income, expenditure and returns on investments for the financial years 2020/21 and 2021/22.

31 March 2021 £000		31 March 2022 £000
(2,913,700)	**Value 1st April**	**(3,638,265)**
(176,790)	Income	(168,510)
121,280	Benefits	127,601
18,959	Payments to and on Account of Leavers	16,708
18,371	Management expenses	17,136
(706,385)	Returns on Investments	(267,831)
(3,638,265)	**Value 31st March**	**(3,913,161)**

1.4 The draft Audit Findings Report for the Buckinghamshire Pension Fund for the year ended 31st March 2022 is attached as Appendix 2. The audit work was completed remotely by Grant Thornton. Grant Thornton's work is substantially complete and they have not identified any adjustments to the financial statements which have an impact on the Pension Fund's reported financial position. The formal sign off for the Pension Fund accounts will take place at the same time as the formal sign off for Buckinghamshire Council accounts which is anticipated to be during 2024.

1.5 Four recommendations were identified because of issues identified during the audit. The recommendations related to IT deficiencies, investment management expenses, employer body changes and errors identified from member data controls testing. Details of the issues and risks and recommendations are documented on pages 19 to 21 of the Audit Findings Report. The management response to the draft Audit Findings Report for the Buckinghamshire Pension Fund for the year ended 31st March 2022 is attached as Appendix 3.

1.6 The audit work identified four issues in respect of the valuation of Level 3 investments. The 31st March 2022 value in the accounts was overstated by £2.623m compared to the value in the 31st March 2022 capital statements. The capital statements are provided by the investment managers quarterly in arrears. The 31st March value in the accounts is based on the 31st December valuation adjusted for any payments to the fund or distributions received. There will always be a difference but the 31st March 2022 difference is greater than usual reflecting the impact of the war in Ukraine on asset valuations. Although a large monetary amount, the £2.623m represents 0.07% of the Pension Fund net asset value and management propose not adjusting the Statement of

Accounts since the amount is not material. The Audit and Governance Committee is asked to approve management's proposed treatment of not adjusting the Statement of Accounts to reflect the £2.623m overstatement.

Other options considered

1.7 Not applicable.

Legal and financial implications

1.8 There are none arising directly from this report.

Corporate implications

1.9 Not applicable.

Consultation and communication

1.10 Not applicable.

Background Papers

1.11 Not applicable.

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Buckinghamshire Pension Fund

Statement of Accounts

For the year ended 31 March 2022

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Service Director of Finance;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts, delegated to the Audit and Governance Committee.

The Service Director of Finance Responsibilities

The Service Director of Finance is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code).

In preparing this Statement of Accounts, the Service Director of Finance has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code;
- Kept proper accounting records which were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate of the Service Director of Finance

I certify that this Statement of Accounts for the year ended 31 March 2022 gives a true and fair view of the financial position of the Pension Fund as at 31 March 2022 and its income and expenditure for the year ending 31 March 2022

David Skinner
Service Director of Finance
Buckinghamshire Council
Insert date

Independent Auditor's Report to the Members of Buckinghamshire Pension Fund

Pension Fund Accounts

The Pension Fund Accounts contain two core statements, the Pension Fund Account and the Net Assets Statement. Each of the statements is accompanied by supplementary notes providing additional detail to the figures presented.

31 March 2021 £000	Pension Fund Account	Note	31 March 2022 £000
	Dealings with Members, Employers and Others directly Involved in the Fund		
	Income		
(152,299)	Contributions	3	(151,882)
(24,293)	Transfers in from other pension funds	4	(16,524)
(198)	Other income		(104)
(176,790)			**(168,510)**
	Benefits	5	
100,311	Pensions		103,893
20,969	Commutation of pensions and lump sums		23,708
	Payments to and on Account of Leavers	6	
590	Refunds of contributions		521
18,369	Transfers out to other pension funds		16,187
140,239			**144,309**
(36,551)	**Net (Additions)/Withdrawals from Dealings with Members**		**(24,201)**
18,371	**Management expenses**	7	**17,136**
(18,180)	**Net (Additions)/Withdrawals including Fund Management Expenses**		**(7,065)**
	Returns on Investments		
(23,079)	Investment income	8	(14,719)
(683,306)	Profits and losses on disposal of investments and changes in the market value of investments	9	(253,112)
(706,385)	**Net Returns on Investments**		**(267,831)**
(724,565)	**Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year**		**(274,896)**

Net assets statement

31 March 2021 £000	Net Assets Statement	Note	31 March 2022 £000
	Investments		
840	Long term investments	9	840
25,638	Equities - quoted	9	295
480,116	Bonds	9	0
2,858,278	Pooled investment vehicles	9	3,525,017
213,051	Property - unit trusts	9	243,766
43,662	Cash deposits	9	132,073
7,124	Investment income receivable	9	391
3,628,709	**Net Investments**	11	**3,902,382**
17,620	Current assets	15	**15,225**
(8,064)	Current liabilities	15	**(4,446)**
3,638,265	**Net Assets of the Fund Available to Fund Benefits at 31 March**		**3,913,161**

Note: The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at Note 18.

Note 1 - Description of the Fund

Buckinghamshire Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS) and is administered by Buckinghamshire Council. Organisations participating in the Fund include the Council, Milton Keynes Council, parish Councils of Buckinghamshire, Thames Valley Police, Buckinghamshire Fire and Rescue Service, and other scheduled and admitted bodies. These are listed in Note 21 to these Financial Statements. Teachers, fire fighters and police officers, for whom separate pension schemes apply, are excluded from the Fund. The Administering Authority is Buckinghamshire Council.

The purpose of the Fund is to provide defined benefits for employees and their widows, widowers and children, based on pay and past service. The Scheme is a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Employee contribution bands range from 5.5% to 12.5% of pensionable pay. In April 2014 a 50/50 option was introduced which means members can pay half their contribution rate and build up half the pension benefit whilst retaining full value of other scheme benefits such as death in service lump sum and ill health cover. Accrued pension is revised annually in line with the Consumer Prices Index. Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. More details of benefits provided under the scheme are available on the Council's pension website.

Local Government Pension Scheme | Buckinghamshire Council

The Fund is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended);
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended); and
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

In 2015 the Government announced that they wanted the 91 Local Government Pension Scheme funds to pool their investments into larger pools in order to achieve savings in investment management costs. Brunel Pension Partnership Ltd was formed to implement the investment strategies for ten Funds. The founding Funds include The Environment Agency Pension Fund, and the Local Government Funds of Avon, Buckinghamshire, Cornwall, Devon, Dorset, Gloucestershire, Oxfordshire, Somerset and Wiltshire. The company Brunel Pension Partnership Ltd was formed on 14 October 2016. By 31 March 2022 the collective assets transitioned to Brunel portfolios were circa £30.6 billion.

The objective of pooling assets is to achieve savings over the longer term from both lower investment management costs and more effective management of the investment assets. The pool will look to deliver the savings based upon the collective buying power the collaboration initiative will produce. Local accountability will be maintained as each individual fund will remain responsible for strategic decisions including asset allocation. The pooling of assets will only affect the implementation of the investment strategy in terms of manager appointments. The transition of assets began in July 2018 and the majority of the assets have now transitioned, although illiquid alternative assets such as private equity will need a longer transition timetable. More information and updates can be found on the Brunel Pension Partnership website at: www.brunelpensionpartnership.org

The following summarises the membership of the Fund:

Membership of the Fund	31 March 2021	31 March 2022
Contributors	25,406	25,717
Pensioners	21,017	21,982
Deferred pensioners	30,881	32,234
Total Membership of the Fund	**77,304**	**79,933**

Investment strategy statement

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require administering authorities to formulate and to publish a statement of its investment strategy, in accordance with guidance issued from time to time by the Secretary of State. The Buckinghamshire Pension Fund Investment Strategy Statement can be viewed on the Council’s website.

Funding and investment policies | Pensions (buckinghamshire.gov.uk)

Further Information

The Council publishes a separate Annual Report on the Pension Fund, which gives more detailed information, a copy can be viewed on the Council’s pension website.

The Pension Fund Annual report | Pensions (buckinghamshire.gov.uk)

Basis of Preparation

The accounts summarise the Fund’s transactions for the 2021/22 financial year and its position at year end as at 31 March 2022. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting (the Code), which is based on International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits is disclosed at Note 18 of these accounts. The Pension Fund is administered by Buckinghamshire Council.

Note 2 - Accounting Policies and Critical Judgement in Applying Accounting Policies

Accounting Policies

Accruals of Income and Expenditure

The financial statements are prepared on an accrual basis, unless otherwise stated. That is, income and expenditure are recognised as they are earned or incurred, not as they are received or paid.

Contributions, benefits and investment income are included on an accrual basis. All settlements for buying and selling investments are accrued on the day of trading. Interest on deposits is accrued if not received by the end of the financial year. Investment management expenses are accounted for on an accrual basis. Administrative expenses are accounted for on an accrual basis, staff costs are paid by Buckinghamshire Council then recharged to the Fund at the year end and group transfers to and from the Fund are accounted for on an accruals basis unless it is too early in the negotiations for an estimate of the value to be available. Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Net Assets Statement. Some additional payments are made to beneficiaries on behalf of certain employers. These payments are subsequently reimbursed by those employers. The figures contained in the accounts are shown exclusive of both payments and reimbursements.

Contribution Income

Normal contributions are accounted for on an accruals basis as follows:

Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes which rise according to pensionable pay.

Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they relate. As set out in the Fund Actuary's Rates and Adjustment certificate, certain employers can pay the primary and/or secondary contributions for the 3 years of the valuation period.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date

Employers' augmentation contributions and pension strain contributions are accounted for in the period in which the liability arises. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Investment Income

Investment income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as investment income. Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset. Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year. Interest income is recognised in the Fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

Benefits Payable

Pensions and lump sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

Management Expenses

All management expenses are accounted for on an accrual basis. Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. These are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

Financial Instruments

Financial instruments that are "held for trading" are classified as financial assets and liabilities at fair value through profit or loss when the financial instrument is:

- Acquired or incurred principally for the purpose of selling or repurchasing it in the near term, or
- Part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking, or
- A derivative.

Financial assets and liabilities at fair value through profit or loss are initially recognised at fair value excluding transaction costs and carried at fair value without any deduction for transaction costs that would be incurred on sale or disposal.

Financial assets held at amortised cost. These represent loans and loan-type arrangements where repayments of interest and principal take place on set dates and for specified amounts. The amount presented in the Net Asset Statement represents the outstanding principal plus accrued interest. Interest credited is the amount receivable as per the loan agreement.

The value of market quoted investments is determined by the bid market price ruling on the final day of the accounting period. Fixed interest securities are recorded at net market value based on their current yields. Pooled investments in property funds, equity funds, fixed interest funds, private equity funds, infrastructure funds and private debt funds are valued by the Fund manager in accordance with industry guidelines. Note 12 includes commentary on the valuation methods that the Fund's fund managers use.

Foreign Currency Transactions

Foreign currency transactions are translated into sterling at the exchange rate ruling at the date of transaction. End of year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

Cash and Cash Equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

Contingent Assets & Liabilities and Commitments

Contingent liabilities are disclosed by way of a note when there is a possible obligation which may require a payment or a transfer of economic benefits. The timing of the economic transfer and the level of certainty attaching to the event are such that it would be inappropriate to make a provision.

Contingent assets are disclosed by way of a note where inflow or a receipt or an economic benefit is possible and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the Fund.

Commitments are disclosed by way of a note when there is a contractual commitment which may require a payment. The timing of the payment is such that it would be inappropriate to make a provision. Commitments are accounted for at the best estimate of the obligation.

Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under the code, the fund has opted to disclose the actuarial present value or promised retirement benefits by way of a note to the net assets statement (Note 18).

Critical Judgements in Applying Accounting Policies

Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the year-end date and the amounts reported for assets and liabilities at the year-end date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the Net Assets Statement at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 18)	Estimation of the net liability to pay pensions depends on several complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance: A 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £128m. A 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £9m. A one-year increase in assumed life expectancy would increase the liability by approximately £253m.

Events After the Reporting Date

There have been no events since 31 March 2022, and up to the date when these accounts were authorised that require any adjustments to these accounts. The War in Ukraine and recent market turmoil has impacted global financial markets. As at the end of March 2023, investments are valued overall at £3.720 billion a lower value than in these financial statements as at 31 March 2022.

Accounting Standards that have been issued but not yet adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. Potentially relevant standards include annual improvements to IFRS standards 2014/2016, IFRIC 22 foreign currency transactions and advance considerations and amendments to IFRS9 financial instruments: prepayment features with negative compensation.

None of the accounting standards that have been issued but not yet adopted will have a significant impact on the financial statements.

Note 3 - Contributions

Contributions relating to wages and salaries paid up to 31 March 2022 have been included in these accounts, there were no augmented employers' contributions received during 2020/2021 or 2021/22.

2020/2021 £000	Contributions by Category	2021/2022 £000
	Employers' Contributions	
(100,383)	Normal Contributions	(100,396)
(17,121)	Deficit Recovery Contributions	(16,337)
(117,504)	**Total Employers' Contributions**	**(116,733)**
(34,795)	**Members' Contributions**	**(35,149)**
(152,299)	**Total Contributions**	**(151,882)**

2020/2021 £000	Contributions by Authority	2021/2022 £000
(56,847)	Administering authority	(60,766)
(91,855)	Scheduled bodies	(87,664)
(3,597)	Admitted bodies	(3,452)
(152,299)	**Total Contributions**	**(151,882)**

Note 4 - Transfer Values

2020/2021 £000	Transfers in from other pension funds	2021/2022 £000
(1,898)	Group transfers	(167)
(22,395)	Individual transfers	(16,357)
(24,293)	**Total Transfers in from other pension funds**	**(16,524)**

The individual transfer values relate to transfers, which have been received during the financial year i.e. included on a cash basis. On 31 March 2022 there were twenty-three outstanding transfer values receivable greater than £50k, for which £2.899m had not been received. (On 31 March 2021 there were six outstanding transfer values receivable greater than £50k, for which £763k had not been received).

On 31 March 2022 there were no group transfers to the Fund being negotiated with other funds (two on the 31 March 2021).

The above refer to payments into the Fund from other pension funds.

Note 5 - Benefits

Benefits include all valid benefit claims notified during the financial year.

2020/2021 £000	Benefits Payable by Category	2021/2022 £000
100,311	Pensions	103,893
18,220	Commutations of pensions and lump sum retirement benefits	20,223
2,749	Lump sum death benefits	3,485
121,280	**Total Benefits**	**127,601**

2020/2021 £000	Benefits Payable by Authority	2021/2022 £000
61,253	Administering authority	63,467
50,560	Scheduled bodies	53,877
9,467	Admitted bodies	10,257
121,280	**Total Benefits**	**127,601**

Note 6 - Payments to and on Account of Leavers

2020/2021 £000	Payments to and on Account of Leavers	2021/2022 £000
590	Refunds to members leaving service	521
5,379	Group transfers to other pension funds	62
12,990	Individual transfers to other pension funds	16,125
18,959	**Total Payments to and on Account of Leavers**	**16,708**

The individual transfer value to other Pension Funds relate to transfers, which have been paid during the financial year i.e. included on a cash basis. On 31 March 2022 there were eleven outstanding transfer value where the amount was greater than £50k, for which £800k had not yet been paid (on 31 March 2021 there was one outstanding transfer values receivable greater than £50k, for which £78k had not been received).

On 31 March 2022 there was one group transfer out from the Fund to other Pension Funds being negotiated (4 on the 31 March 2021), the value of the transfer £2,556k has been accrued.

The above refer to payments from the Fund to other pension funds.

Note 7 - Management Expenses

2020/2021	Management Expenses	2021/2022
£000		£000
2,226	Administrative costs	2,397
15,507	Investment management expenses	14,008
638	Oversight and governance costs	731
18,371	**Total Management Expenses**	**17,136**

The analysis of the cost of managing the Fund during the period has been prepared in accordance with CIPFA guidance. Management expenses have been categorised as administrative costs, investment management expenses and oversight/governance costs. Included in the oversight and governance costs are £36.45k for the external audit main fee and £8k for the IAS19 assurance letters for scheduled bodies. In 2020/21 the external audit main fee was £38k and the fee for the IAS19 assurance letters for scheduled bodies was £7k.

Investment management fees are calculated according to the specific mandate and the associated contract. Management fees for pooled funds and transaction costs have been included in the investment management expenses. The investment management expenses include £1.070m (£0.28m in the 2020/2021 financial year) in respect of performance related fees payable to the Fund's investment managers. It also includes £363k in respect of transaction costs (£4.734m in the 2020/2021 financial year).

Note 8 - Investment Income

Investment income from bonds has significantly decreased in 2021/22 following the transition of the Fund's segregated bond holdings to Brunel pooled funds, dividend income is accumulated within the fund and is accounted for in the market value change rather than investment income.

2020/2021	Investment Income	2021/2022
£000		£000
(1,258)	Dividends from equities	746
(14,242)	Income from bonds	(4,216)
(536)	Income from pooled investments	(2,695)
(5,549)	Income from property unit trusts	(8,330)
(1,352)	Interest on cash deposits	(215)
(142)	Other	(9)
(23,079)	**Total Investment Income**	**(14,719)**

Note 9 - Investments

All investments are valued on a fair value basis and where there is an active market the bid price is the appropriate quoted market price. The investment accounting information is provided by State Street, the Fund's custodian.

During 2021/2022 realised profit of £322.401m and unrealised losses of £69.289m combined to report a increase in the market value of investments of £253.112m.

Investments (All values are shown £000)	Value at 31 March 2021 £000	Purchases at Cost £000	Sales Proceeds £000	Realised Profit/ (Loss) £000	Unrealised Profit/ (Loss) £000	Value at 31 March 2022 £000
Long term investments	840	0	0	0	0	840
Equities - quoted	25,638	396	(25,522)	(1,135)	918	295
Bonds	480,116	648,626	(1,153,323)	47,030	(22,449)	0
Pooled investment vehicles	2,858,278	1,170,462	(689,806)	273,977	(87,894)	3,525,017
Property - unit trusts	213,051	28,203	(41,838)	4,693	39,657	243,766
Derivative contracts	0	2,480	(419)	(2,061)	0	0
Cash deposits	43,662	0	88,035	(103)	479	132,073
	3,621,585	**1,850,167**	**(1,822,873)**	**322,401**	**(69,289)**	**3,901,991**
Investment income due	7,124					391
	3,628,709					**3,902,382**

During 2020/2021 realised profit of £103.918m and unrealised profit of £579.388m combined to report an increase in the market value of investments of £683.306m.

Investments (All values are shown £000)	Value at 31 March 2020 £000	Purchases at Cost £000	Sales Proceeds £000	Realised Profit/ (Loss) £000	Unrealised Profit/ (Loss) £000	Value at 31 March 2021 £000
Long term investments	840	0	0	0	0	840
Equities - quoted	36,850	158,309	(179,156)	5,535	4,100	25,638
Bonds	421,713	132,353	(94,973)	5,942	15,081	480,116
Pooled investment vehicles	2,160,298	265,473	(223,254)	63,999	591,762	2,858,278
Property - unit trusts	213,484	5,880	(3,200)	27,014	(30,127)	213,051
Derivative contracts	0	1,035	(2,459)	1,424	0	0
Cash deposits	61,855	0	(16,916)	150	(1,428)	43,662
	2,895,040	**563,195**	**(519,958)**	**103,918**	**579,388**	**3,621,585**
Investment income due	7,873					7,124
	2,902,913					**3,628,709**

Pooled investment vehicles are funds where the Fund is not the named owner of specific investments such as shares or bonds but owns a proportion of a pooled fund. The Code requires that pooled investments are analysed between unit trusts, unitised insurance policies and other managed funds. The pooled investment vehicles in the tables above are other managed funds. These funds include the following types of investments:

- Equities
- Fixed interest securities
- Index linked gilts
- Hedge fund of funds
- Infrastructure
- Private equity fund of funds

The change in the fair value of investments during the year comprises all increases and decreases in the fair value of investments held at any time during the year, including profits and losses realised on sales of investments during the year. The Fund's investments in derivatives are not material and therefore further disclosures are not included in the accounts. Indirect costs are incurred through the bid-offer spread on investments within pooled investments.

The Fund does not participate directly in a stock lending programme.

Note 10 - Investment Management Arrangements

The following table summarises the proportion of the Fund managed by Brunel Pension Partnership limited and the Fund, assets which exceed 5% of the total value of the net assets of the Fund are shown, 2% of the Fund is currently held as cash:

Fund Manager/Mandate	Proportion of Fund 31 March 2021 £000	%	Proportion of Fund 31 March 2022 £000	%
Investments managed by Brunel				
Low Volatility Equity	159,691	4	288,918	8
Passive Developed Equity	841,815	23	670,843	18
Emerging Markets Equity	197,734	6	175,087	5
Global High Alpha Equity	602,912	17	628,127	16
Smaller Companies Equity	180,831	5	184,846	5
Multi-Asset Credit	0	0	359,637	10
Passive Index Linked Gilts	0	0	386,603	10
Infrastructure	43,783	1	113,510	3
Private Debt	0	0	22,664	0
Private Equity	22,444	1	66,183	2
Property – unit trusts	222,602	6	272,175	7
Sterling Corporate Bonds	0	0	399,464	9
Cash	0	0	1,915	0
Total Investments managed by Brunel	**2,271,812**		**3,569,972**	
Investments managed by the Fund				
LaSalle – Property unit trusts	1,114	0	0	0
BlackRock -Cash/inflation plus	160,110	4	4	0
Blackstone Alternative Asset Management - Hedge fund of funds	171,071	5	4,464	0
Investec Asset Management- Less constrained global equities	777	0	120	0
Legal & General Investment Management – Passive index-tracker	377,516	11	133,807	4
Mirabaud Investment Management Limited- UK equities	217	0	0	0
Pantheon Private Equity- Private equity	93,728	3	84,595	2
Partners Group- Private equity	13,177	0	10,880	0
Royal London Asset Management- Core plus bonds	511,010	14	919	0
Schroders- Less constrained global equities	2305	0	1,820	0
Aberdeen Standard Investments – Less constrained UK equities	134	0	127	0
GTP	698	0	377	0
Hg Capital	581	0	1,033	0
Total Investments managed by the Fund	**1,332,438**		**238,146**	
Total	**3,604,250**	**100**	**3,808,118**	**98**

Note 11 - Analysis of the Value of Investments

31 March 2021 £000	Analysis of the Value of Investments	31 March 2022 £000
840	**Long Term Investments**	**840**
	Bonds	
	Fixed Interest Securities	
5,992	Overseas public sector	0
307,521	UK other	0
73,455	Overseas other	0
386,968	**Total Fixed Interest Securities**	**0**
	Index-Linked Gilts	
85,851	UK Index-linked gilts public sector	0
7,297	UK Index-linked gilts other	0
93,148	**Total Index-Linked Gilts**	**0**
480,116	**Total Bonds**	**0**
	Equities	
150	UK quoted	141
25,488	Overseas quoted	154
25,638	**Total Equities**	**295**
	Pooled Investment Vehicles	
377,516	UK Bonds	0
1,982,983	Overseas Equity	1,947,821
160,106	Overseas Diversified Growth Fund (GBP)	0
171,071	Overseas Hedge Fund of Funds (GBP)	0
44,837	Overseas Infrastructure	117,519
0	Fixed Interest Securities	533,271
0	Index linked gilts	386,603
0	Multi-Asset Credit	359,637
0	Overseas Private Debt	22,664
121,765	Overseas Private Equity	157,502
2,858,278	**Total Pooled Investment vehicles**	**3,525,017**
	Other	
213,051	Property - unit trusts	243,766
43,662	Cash deposits – sterling and foreign cash	132,073
7,124	Investment Income receivable	391
263,837	**Total Other**	**376,230**
3,628,709	**Total Value of Investments**	**3,902,382**

Note 12 - Financial Instruments

The Net Assets of the Fund disclosed in the Net Assets Statement are made up of the following categories of financial instruments:

31 March 2021				**31 March 2022**		
Fair value through profit and loss	**Financial Assets at Amortised Cost**	**Financial Liabilities at Amortised Cost**	**Financial Assets**	**Fair value through profit and loss**	**Financial Assets at Amortised Cost**	**Financial Liabilities at amortised cost**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
840			**Long Term Investments**	**840**		
386,968			Fixed Interest Securities	0		
25,638			Equities	295		
93,149			Index Linked gilts	0		
213,051			Property – unit trusts	243,766		
			Pooled investments:			
377,516			Fixed interest securities	533,271		
1,982,983			Equities	1,947,821		
171,071			Hedge Funds of Funds	0		
160,106			Diversified Growth Fund	0		
0			Index Linked Gilts	386,603		
44,837			Infrastructure	117,519		
0			Multi-Asset Credit	359,637		
0			Private Debt	22,664		
121,765			Private Equity	157,502		
7,124			Investment Income receivable	391		
29,682	13,980		Cash deposits	111,285	20,788	
	4,814		Current assets		5,214	
3,614,730	**18,794**			**3,881,594**	**26,002**	
			Financial Liabilities			
		(6,920)	Current liabilities			(3,247)
		(6,920)				**(3,247)**
3,614,730	**18,794**	**(6,920)**	**Total**	**3,881,594**	**26,002**	**(3,247)**
		3,626,604				**3,904,349**

31 March 2021 £000	Reconciliation to Net Assets of the Fund Available to Fund Benefits at 31 March in the Net Assets Statement	31 March 2022 £000
3,638,265	Net Investments	3,913,170
(12,805)	Less contributions due current assets	(10,020)
1,144	Add HMRC current liabilities	1,199
3,626,604	**Valuation of Financial Instruments carried at fair value**	**3,904,349**

The net gains and losses on financial instruments are shown in the table below.

31 March 2021 £000		31 March 2022 £000
	Financial Assets	
(683,306)	Fair value through profit and loss	(253,112)
0	Financial Assets measured at amortised cost	0
0	Financial liabilities measured at amortised cost	0
	Financial Liabilities	
0	Fair value through profit and loss	0
0	Financial Assets measured at amortised cost	0
0	Financial liabilities measured at amortised cost	0
(683,306)	**Total**	**(253,112)**

The Code requires that for each class of financial assets and financial liabilities an authority shall disclose the fair value of that class of assets and liabilities in a way that permits it to be compared with its carrying amount. As all investments are disclosed at fair value, carrying value and fair value are therefore the same.

Valuation of Financial Instruments Carried at Fair Value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1: Financial instruments where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities, quoted equities are classified as level 1. Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2: Financial instruments where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data. Fixed interest securities are traded in an active market and evaluated prices sourced from a valid pricing vendor. The values of the hedge fund of funds are based on the net asset value provided by the Fund manager. Assurances over the valuation are gained from the independent audit of the value.

Level 3: Financial instruments at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions. The values of the investment in private equity are based on valuations provided by the general partners to the private equity fund of funds in which the Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS. Valuations are audited annually as at 31 December, and the valuations as at 31 March reflect cash flow transactions since 31 December.

The following table analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

Value at 31 March 2022	**Quoted Market Price Level 1 £000**	**Using Observable Inputs Level 2 £000**	**With Significant Unobservable Outputs Level 3 £000**	**Total £000**
Long term investments	0	0	840	840
Equities	295	0	0	295
Fixed interest securities	0	533,271	0	533,271
Index-linked gilts	0	386,603	0	386,603
Equities	0	1,947,821	0	1,947,821
Infrastructure	0	0	117,519	117,519
Multi-Asset Credit	0	359,637	0	359,637
Private Debt	0	0	22,664	22,664
Private Equity	0	0	157,502	157,502
Property – unit trusts	0	241,830	1,936	243,766
Cash Instruments	0	111,285	0	111,285
Total	**295**	**3,580,447**	**300,461**	**3,881,203**

Cash deposits in money market fund have been included in the above analysis as they are held at fair value through profit and loss. Remaining cash deposits are held at amortised cost and therefore excluded from the analysis.

Reconciliation to Net Investments in the 31 March 2022 Net Assets Statement	31 March 2022 £000
Net Investments	3,902,382
Less Cash deposits	(20,788)
Less investment income receivable	(391)
Valuation of Financial Instruments carried at fair value	**3,881,203**

Value at 31 March 2021	Quoted Market Price Level 1 £000	Using Observable Inputs Level 2 £000	With Significant Unobservable Outputs Level 3 £000	Total £000
Long term investments	0	0	840	840
Equities	326	25,315	0	25,641
Fixed interest securities	0	386,968	0	386,968
Index-linked gilts	0	93,149	0	93,149
Equities	0	1,982,983	0	1,982,983
Bonds	0	377,516	0	377,516
Diversified Growth Fund	0	160,106	0	160,106
Hedge fund of funds	0	171,071	0	171,071
Infrastructure	0	0	44,837	44,837
Private Equity	0	0	121,762	121,762
Property – unit trusts	0	213,026	25	213,051
Cash Instruments	0	29,682	0	29,682
Total	**326**	**3,439,816**	**167,464**	**3,607,606**

Reconciliation to Net Investments in the 31 March 2021 Net Assets Statement	£000
Net investments	3,628,709
Less cash deposits	(13,980)
Less investment income receivable	(7,124)
Add rounding error	1
Valuation of Financial Instruments carried at fair value	**3,607,606**

Sensitivity Analysis of Assets Valued at Level 3

Using Mercer's analysis of market volatility for individual asset classes in the last 20 years and current market trends, the Fund has determined that the valuation methods described above are likely to be accurate within the following ranges and has set out below the potential impact on the closing value of investments held at 31 March 2022 and 31 March 2021.

	Assessed valuation range (+/-)	Value at 31 March 2022 £000	Value on increase £000	Value on decrease £000
Infrastructure	17.1%	117,519	137,615	97,423
Private Debt	15.7%	22,664	26,222	19,106
Private Equity	26.3%	157,502	198,925	116,079
Property – unit trusts	17.3%	1,936	2,271	1,601
Total		**299,621**	**365,033**	**234,209**

	Assessed valuation range (+/-)	Value at 31 March 2021 £000	Value on increase £000	Value on decrease £000
Infrastructure	16.6%	44,837	52,280	37,394
Private equity	25.8%	121,765	153,180	90,350
Total		**166,602**	**205,460**	**127,744**

Reconciliation of Fair Value Measurements Within Level 3

Investments (All values are shown £000)	Value at 31 March 2021 £000	Purchases £000	Sales £000	Realised profit/(loss) £000	Unrealised profit/(loss) £000	Value at 31 March 2022 £000
Infrastructure	44,837	75,469	(5,064)	1,463	814	117,519
Private debt	0	22,547	0	0	117	22,664
Private equity	121,765	34,499	(38,981)	30,864	9,355	157,502
Property – unit trusts	25	1,854	0	0	57	1,936
	166,627	**134,369**	**(44,045)**	**32,327**	**10,343**	**299,621**

	Value at 31 March 2020 £000	Purchases £000	Sales £000	Realised profit/(loss) £000	Unrealised profit/(loss) £000	Value at 31 March 2021 £000
Private equity	130,617	9,960	(28,234)	23,516	(14,094)	121,765
Infrastructure	22,828	49,499	(25,642)	103	(1,951)	44,837

Total	**153,445**	**59,459**	**(53,876)**	**23,619**	**(16,045)**	**166,602**

The Fund's fund managers provided the following commentary on the valuation methods they use:

Fixed interest securities – level 2 - Brunel £399.464m and LGIM £133.807m – total £533.271m

Brunel – fixed interest securities – active sterling corporate bonds

Price of Units in each (Royal London Pooled Pension) RLPPC Fund shall be established as at each Valuation Point (close each business day) by taking the value of any securities held in that RLPPC Fund which are quoted on a recognised Stock Exchange, the amount of any cash held in or due to that RLPPC Fund which shall be valued at face value, and value of all other assets held in that RLPPC Fund determined by Royal London to be the price which would have to be paid to purchase those assets Less; All expenses and outgoings (including without limitation taxation) which are, at the Valuation Point, payable out of that RLPPC Fund.

LGIM – fixed interest securities – passive tracker fund

The method used to value units is the same at every valuation date throughout the year. All holdings of the appropriate Pooled Fund Sections are valued at the close of business valuation point using a recognised pricing service. These values are then adjusted to allow for outstanding dividends, tax payable or recoverable and any relevant expenses (this creates the "bid price").

Index linked gilts – level 2 - Brunel £386.603m

The method used to value units is the same at every valuation date throughout the year, valuation point is 17:00. Valuations are normally carried out each working day. Notional acquisition costs allow for the costs of purchasing investments, such as stockbrokers' commissions, stamp duties and transaction costs. Notional realisation costs allow for the costs of selling investments such as stockbrokers' commissions, sales taxes and transaction costs. There may be some withholding taxes on some overseas investments. The current valuation methodology is to value the assets of the fund at closing mid-market or last traded values and adjust for the market spread and the aforementioned notional dealing expenses.

Pooled equities – level 2 - Brunel – Passive Global Developed Equity £670.843m, Active Global High Alpha Equity £628.127m, Active Global Emerging Markets Equity £175.087m, Active Low Volatility Equity £288.918m and Active Smaller Companies Equity £184.846m Authorised Contractual Scheme Funds (ACS), an ACS is a type of collective investment vehicle created to hold and manage assets on behalf of a number of investors – total £1,947.821m.

Passive equities - The method used to value units is the same at every valuation date throughout the year. All holdings of the appropriate Pooled Fund Sections are valued at the close of business valuation point using a recognised pricing service. These values are then adjusted to allow for outstanding dividends, tax payable or recoverable and any relevant expenses (this creates the "bid price").

Active equities - Weekly priced each Wednesday valued at close of business valuation point. These values are then adjusted to allow for outstanding dividends, tax payable or recoverable and any relevant expenses (this creates “bid price”).

Infrastructure – level 3 - Brunel £113.362m and Partners Group £4.157m – total £117.519m

Brunel - Brunel selects managers who apply a fair value process, which is in accordance with International Financial Reporting Standards (IFRS) and United States Generally Accepted Accounts Principles (US GAAP). Systematically Brunel ensures valuations are driven by IPEV guidelines and that this process is annually appraised by third parties for appropriateness.

Partners Group - Partners Group performs independent valuations of its underlying investments through a fair market valuation process, which is in accordance with International Financial Reporting Standards (IFRS) and United States Generally Accepted Accounting Principles (US GAAP).

Partners Group gathers the valuation-relevant information by systematically screening a broad set of sources for valuation-relevant information about portfolio companies which are held directly or indirectly by Partners Group's programs and mandates. This includes information supplied by the firm's due diligence and monitoring professionals, underlying fund managers and information published in industry journals and/or other publications.

Multi Asset Credit – level 2 – Brunel £359.637m

Monthly valuation point for all three underlying managers, first Wednesday of each calendar month, world close. All valuations are conducted by the Alternative Investment Fund Managers (AIFM) under the rulings of the AIFM Directive. An investment which is quoted, listed or traded on or under the rules of any recognized market shall be valued at the latest available dealing price or, if unavailable or if bid and offer quotations are made, the latest available middle market quotation. The value of any investment which is not normally quoted, listed or traded on or under the rules of a recognized market, will be valued at fair value estimated with care and in good faith by the AIFM or an external third party valuer. This includes FI securities, cash deposits, loans and derivatives.

Private Debt – level 3 - Brunel £22.664m

Brunel selects managers who apply a fair value process, which is in accordance with International Financial Reporting Standards (IFRS) and United States Generally Accepted Accounting Principles (US GAAP). Systematically Brunel ensures valuations are driven by IPEV guidelines and that this process is annually appraised by 3rd parties for appropriateness.

Private Equity – level 3 – Brunel £66.183m, Pantheon £84.595m and Partners Group £6.724m – Total - £157.502m

Brunel – Private Equity – level 3

Brunel selects managers who apply a fair value process, which is in accordance with International Financial Reporting Standards (IFRS) and United States Generally Accepted Accounts Principles (US GAAP). Systematically Brunel ensures valuations are driven by IPEV guidelines and that this process is annually appraised by third parties for appropriateness.

Pantheon – Private Equity – level 3

Investments are valued using the most relevant of methods listed below:

- Cost/recent round of financing/price of recent investment where recent transactions may be the most reflective of fair value.
- Comparable Private Company Transactions used for companies with low enterprise value or low EBITDA which means it is not appropriate to use earnings multiples of similar publicly listed companies.
- Earnings/Earnings Multiples/Performance Multiples valuations involve applying a multiple, appropriate to the company being valued, to the earnings of a company. The valuation is described as a function of two variables, price and earnings (The most widely used of the valuation methodologies, especially for buyout or other businesses that have comparable characteristics to companies in the public markets).
- Underlying value of Net Assets.
- Discounted Cash flows (DCF) where there are predictable cash flows visible over a given time horizon.
- Industry Benchmarks are normally based on the assumption that investors are willing to pay for market share, and that profitability of the business in the does not vary greatly.
- Unrestricted Publicly traded securities are valued at the closing public market price on the valuation date.

These methods are consistently applied across all investment types.

Partners Group – Private Equity – level 3

Partners Group performs independent valuations of its underlying investments through a fair market valuation process, which is in accordance with International Financial Reporting Standards (IFRS) and United States Generally Accepted Accounting Principles (US GAAP).

Partners Group gathers the valuation-relevant information by systematically screening a broad set of sources for valuation-relevant information about portfolio companies which are held directly or indirectly by Partners Group's programs and mandates. This includes information supplied by the firm's due diligence and monitoring professionals, underlying fund managers and information published in industry journals and/or other publications.

Brunel - Property unit trusts – level 2 £241.830m and level 3 £1.936m – Total £243.766m

Brunel selects managers who apply either open market values or fair value processes, open market values are in accordance with RICS valuation standards and fair value processes are driven by IPEV guidelines. Systematically Brunel ensure that both processes are annually appraised by third parties for appropriateness. There are no Material Uncertainty Clauses (MUC's) in place on any underlying valuations applicable to this portfolio.

Note 13 - Additional Financial Risk Management Disclosures

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure that there is sufficient liquidity to meet the Fund's forecast cash flows. The Pension Fund Committee manages these investment risks as part of its overall Fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Pension Fund Committee. The Pension Fund Risk Assessment analyses the risks faced by the Council's pensions operations, it is reviewed regularly by the Pension Fund Committee to reflect changes in activity and in market conditions. The analysis below is designed to meet the disclosure requirements of IFRS 7.

Market Risk

Market risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in market prices of equities, commodities, interest rates, foreign exchange rates and credit spreads. This could be as a result of changes in market price, interest rates or currencies. The objective of the Fund's investment strategy is to manage and control market risk exposure within acceptable parameters, while optimising the return.

In general, excessive volatility in market risk is managed through diversification across asset class, investment manager, country, industry sector and individual securities. Each manager is expected to maintain a diversified portfolio within their allocation.

Market Price Risk

Market 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 the market in general.

By diversifying investments across asset classes and managers, the Fund aims to reduce the exposure to price risk. Diversification of asset classes seeks to reduce correlation of price movements, whilst the appointment of specialist managers enables the Fund to gain from their investment expertise.

Market Price - Sensitivity Analysis

Whilst the value of the Fund's assets is sensitive to changes in market conditions and the Fund's assets are diversified across fund managers and asset classes to mitigate the risks. The Fund's liability to pay future benefits is equally sensitive, particularly to interest rate changes. In consultation with Mercer, the Fund's investment consultant, the Fund has determined that the following movements in market price risk are reasonably possible for 2021/2022. Assuming that all other variables, in particular foreign exchange rates and interest rates, remain constant. If the market price of the Fund's investments does increase/decrease in line with the table below, the change in the market price of net assets available to pay benefits would be as follows;

Asset Type	31 March 2022 £000	Percentage Change %	Value on increase £000	Value on decrease £000
Long term investments	840	20.6%	1,013	667
Equities	1,948,116	20.827%	2,353,845	1,542,387
Fixed interest securities	533,271	4.80%	558,868	507,674
Index linked gilts	386,603	7.90%	417,145	356,061
Overseas infrastructure	117,519	17.10%	137,615	97,423
Multi-asset credit	359,637	4.80%	376,900	342,374
Private debt	22,664	15.70%	26,222	19,106
Private equity	157,502	26.30%	198,925	116,079
Property - unit trusts	243,766	17.3%	285,938	201,594
Cash deposits	132,073	1.0%	133,394	130,752
Investment income receivable	391	20.6%	472	310
Total	**3,902,382**		**4,490,337**	**3,314,427**

In consultation with Mercer, the Fund's investment consultant, the Fund determined that the following movements in market price risk were reasonably possible for 2020/2021, assuming that all other variables, in particular foreign exchange rates and interest rates, remain constant. If the market price of the Fund's investments did increase/decrease in line with the table below, the change in the market price of net assets available to pay benefits would be as follows;

Asset Type	31 March 2021 £000	Percentage Change %	Value on increase £000	Value on decrease £000
Long term investments	840	19.1%	1,000	680
Equities – quoted	25,638	19.1%	30,535	20,741
Bonds	480,116	4.94%	503,836	456,398
Pooled investment vehicles	2,858,278	16.49%	3,329,608	2,386,948
Property - unit trusts	213,051	16.6%	248,417	177,685
Cash deposits	43,662	1.0%	44,100	43,226
Investment income receivable	7,124	19.1%	8,485	5,763
Total	**3,628,709**		**4,165,978**	**3,091,440**

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest Rate – Sensitivity Analysis

The Fund recognises that interest rates vary and can impact income to the Fund and the fair value of the assets, both of which affect the value of the net assets available to pay benefits. The sensitivity of the Fund's investments to changes in interest rates has been analysed by showing the impact of a 1% change, long term average interest rates are expected to move less than 1% from one year to the next. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

The following two tables show the impact that a 1% in/decrease has on the value of the assets on 31st March.

31 March 2022 Exposure to interest rate risk	Asset Value £000	Value after impact of 1% increase in interest rates £000	Value after impact of 1% decrease in interest rates £000
Cash and cash equivalents	135,770	135,770	135,770
Fixed interest securities	533,271	538,604	527,938
Index linked gilts	386,603	386,603	386,603
Total	1,055,644	1,060,977	1,050,311

31 March 2021 Exposure to interest rate risk	Asset Value £000	Value after impact of 1% increase in interest rates £000	Value after impact of 1% decrease in interest rates £000
Cash and cash equivalents	46,548	46,548	46,548
Fixed interest securities	386,968	390,838	383,098
Index linked gilts	93,149	93,149	93,149
Total	**526,665**	**530,535**	**522,795**

The following two tables show the impact that a 1% in/decrease has on the interest receivable during the year.

2021/2022 Exposure to interest rate risk	Interest receivable £000	Impact of 1% increase £000	Impact of 1% decrease £000
Cash and cash equivalents	215	217	213
Fixed interest bonds	4,216	4,258	4,174
Index linked gilts	0	0	0
Total	4,431	4,475	4,387

2020/2021 Exposure to interest rate risk	Interest receivable £000	Impact of 1% increase £000	Impact of 1% decrease £000
Cash and cash equivalents	1,352	1,366	1,338
Fixed interest bonds	8,676	8,763	8,589
Index linked gilts	5,566	5,622	5,510
Total	**15,594**	**15,751**	**15,437**

Changes in interest rates do not impact on the value of cash/cash equivalent balances but they will affect the interest income received on those balances. Changes to both the fair value of assets and the income received from investments impact on the net assets available to pay benefits.

Currency Risk

Currency risk represents the risk that the fair value of financial instruments will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than Sterling. When Sterling depreciates the Sterling value of foreign currency denominated investments will rise and when Sterling appreciates the Sterling value of foreign currency denominated investments will fall. Over the long term the differences in currencies are likely to balance out and the Fund has chosen not to hedge its currencies.

Currency Risk – Sensitivity Analysis

The sensitivity of the Fund's investments to changes in foreign currency rates have been analysed using a 7.56% movement in exchange rates in either direction for 31 March 2022. This analysis assumes that all variables, in particular interest rates, remain constant. Based on the composition of the Fund's currency exposure a 7.56% fluctuation in the currency is considered reasonable. A 7.56% weakening or strengthening of Sterling against the various currencies at 31 March 2022 would have increased or decreased the net assets by the amount shown below;

Currency Exposure by Asset Type	31 March 2022 £000	Value on increase £000	Value on decrease £000
		+7.56%	**-7.56%**
Equities – quoted	1,831,296	1,969,742	1,692,850
Multi Asset Credit	61,370	66,010	56,730
Infrastructure	18,369	19,758	16,980
Overseas Private Equity	158,872	170,883	146,861
Cash deposits	20,274	21,807	18,741
Total	**2,090,181**	**2,248,200**	**1,932,162**

The sensitivity of the Fund's investments to changes in foreign currency rates have been analysed using a 7.92% movement in exchange rates in either direction for 31 March 2021. This analysis assumes that all variables, in particular interest rates, remain constant. Based on the composition of the Fund's currency exposure a 7.92% fluctuation in the currency is considered reasonable. A 7.92% weakening or strengthening of Sterling against the various currencies at 31 March 2021 would have increased or decreased the net assets by the amount shown below;

Currency Exposure by Asset Type	31 March 2021 £000	Value on increase £000	Value on decrease £000
		+7.92%	**-7.92%**
Equities – quoted	1,879,785	2,028,664	1,730,906
Infrastructure	19,526	21,072	17,980
Overseas Private Equity	121,765	131,409	112,121
Property – unit trusts	23	25	21
Cash deposits	24,604	26,553	22,655
Total	**2,045,703**	**2,207,723**	**1,883,683**

One important point to note is that currency movements are not independent of each other. If Sterling strengthened generally it may rise against all the above currencies producing losses across all the currencies.

Currency Exposure by Significant Currency

The Fund's most significant currency exposures are to US Dollars, EUROs and the Japanese Yen, using data on currency risk of 7.69% for the US Dollar, 6.67% for the EURO and 7.56% for the Japanese Yen. Weakening or strengthening of Sterling against US Dollars and EUROs at 31 March 2022 would have increased or decreased the net assets by the amounts shown in the following table;

Asset Type	31 March 2022 £000	Percentage Change %	Value on increase £000	Value on decrease £000
US Dollars	1,289,488	7.69%	1,388,650	1,190,326
EUROs	291,881	6.67%	311,349	272,413
Japanese Yen	108,807	8.25%	117,784	99,830
Total	**1,690,176**		**1,817,783**	**1,562,569**

Weakening or strengthening of Sterling against US Dollars and EUROs at 31 March 2021 would have increased or decreased the net assets by the amounts shown in the following table;

Asset Type	31 March 2021 £000	Percentage Change %	Value on increase £000	Value on decrease £000
US Dollars	1,218,209	8.03%	1,316,031	1,120,386
EUROs	244,333	6.77%	260,875	227,792
Japanese Yen	136,427	8.64%	148,214	124,639
Total	**1,598,968**		**1,725,120**	**1,472,817**

Credit Risk

Credit risk represents the risk that the counterparty to a transaction or financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market value of investments generally reflects an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities. In essence the Fund's entire investment portfolio is exposed to some sort of credit risk. The Fund is exposed to credit risk through its investment managers, custodian and its daily treasury management activities. Credit risk is minimised through the careful selection and monitoring of financial institutions and counterparties. Contractual credit risk is represented by the net payment or receipt that remains outstanding.

A source of credit risk is the cash balances held internally or by managers. The Fund's bank account is held at Barclays, which holds an "A" long term credit rating. The management of the cash held in this account is managed by the Council's Treasury Management Team in line with the Council's Treasury Management Strategy which sets out the permitted counterparties and limits. The value of the Fund invested by the Treasury Management Team on 31 March 2022 was £0.064m in an instant access Barclays account and £3.250m invested in Federated's money market fund. (On 31 March 2021 £0.976m was invested in an instant access Lloyds account and £2.000m invested in Federated's money market fund.) Cash balances forming part of the investment assets are invested with the global custodian, State Street, in a diversified money market fund rated AAAm.

Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The main liabilities of the Fund relate to the benefits payable which fall due over a long period of time. The investment strategy reflects this and sets out the strategic asset allocation of the Fund. Liquidity risk is mitigated by investing a proportion of the Fund in actively traded instruments in particular equities and fixed income investments. The Fund maintains a cash balance to meet operational requirements.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer to convert into cash. The following table summarises the Fund's illiquid assets by fund manager;

31 March 2021 £000		**31 March 2022 £000**
171,071	Blackstone hedge fund of funds	0
43,783	Brunel infrastructure	113,362
0	Brunel private debt	22,664
22,444	Brunel private equity	66,183
222,602	Brunel property unit trusts	243,766
93,728	Pantheon private equity	84,595
13,177	Partners Group private markets	10,880
581	Residual mandates	1,033
567,386		**542,483**

Note 14 - Related Parties

The Buckinghamshire Pension Fund is administered by Buckinghamshire Council and therefore there is a strong relationship between the Council and the Pension Fund.

The Council was reimbursed £2.70m (£2.49m in the 2020/2021 year) for oversight & governance costs and administration costs incurred by the Council on behalf of the Fund. The Council is also the single largest employer of members of the Fund and contributed £60.8m to the Fund in 2021/2022 (£56.8m in the 2020/2021 year).

The Fund's surplus cash held for day to day cash flow purposes is invested on the money markets by Buckinghamshire Council's treasury management team, through a service level agreement. During the year to 31 March 2022, the Fund had an average investment balance of £8.3m (£5.9m in the 2020/2021 year), earning interest of £2k (£11k in the 2020/2021 year).

Membership of the Local Government Pension Scheme (LGPS) for Councillors closed to new members on 31 March 2014. Councillors who were active members ceased to be a member at the next end of term of office. There are no members of the Pension Fund Committee who are a deferred member of the Fund. There are no members of the Pension Fund Committee who were pensioner members of the Fund on 31 March 2022 (on 31 March 2021 no pensioner members and no deferred members). The Service Director of Corporate Finance (s151 Officer) held a key position in the financial management of the Fund and is an active member. He is an employee of Buckinghamshire Council for whom a portion of his costs of employment are re-charged to the Fund. Disclosure of his pay costs can be found within the officer remuneration note in the main Buckinghamshire Council accounts. Members of the Pension Fund Committee and the post of Head of Projects and Pensions are the key management personnel involved with the Pension Fund. £32k was incurred by the Pension Fund for costs in relation to key management personnel. Members of the Pension Fund Committee are disclosed in the Pension Fund Report and Accounts.

The Fund has transactions with Brunel Pension Partnership Ltd (Brunel) (Company number 10429110) which was formed on 14 October 2016 and will oversee the investment of pension fund assets for ten Funds. The founding Funds include The Environment Agency Pension Fund, and the Local Government Funds of Avon, Buckinghamshire, Cornwall, Devon, Dorset, Gloucestershire, Oxfordshire, Somerset and Wiltshire. Each of the 10 organisations, including Buckinghamshire Council, own 10% of Brunel. During the year to 31 March 2022 Brunel provided services costing £1,214k (£1,179k in the year to 31 March 2021).

Note 15 - Current Assets and Liabilities

31 March 2021	Current Assets and Liabilities	31 March 2022
£000		**£000**
	Current Assets	
12,806	Contributions due from employers 31 March	10,020
2,885	Cash balances (not forming part of the investment assets)	3,697
1,929	Other current assets	1,508
17,620	**Total Current Assets**	**15,225**
	Current Liabilities	
(146)	Management charges	(154)
(1,144)	HM Revenue and Customs	(1,199)
(440)	Unpaid benefits	(435)
(6,334)	Other current liabilities	(2,658)
(8,064)	**Total Current Liabilities**	**(4,446)**
9,556	**Net Current Assets**	**10,779**

Note 16 - Taxes on Income

The Fund retains the following taxation status:

- VAT input tax is recoverable on all fund activities by virtue of Buckinghamshire Council being the administering authority.
- The Fund is an exempt approved fund under the Finance Act 2004 and is therefore not liable to UK income tax or capital gains tax.
- Income earned from investments overseas in certain countries is subject to withholding tax, unless an exemption is available.

Note 17 - Actuarial Position of the Fund

In accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013 (as amended), the Fund's actuary, Barnett Waddingham LLP, undertakes a funding valuation every three years to review the financial position of the Fund and to set appropriate contribution rates for each employer in the Fund for the forthcoming triennial period. The last such valuation took place as at 31 March 2022. The next valuation will take place as at 31 March 2025.

On 31 March 2022, the market value of the assets held were £3.91bn, sufficient to cover 104% of the accrued liabilities assessed on an ongoing basis. No employer is permitted to pay their deficit over a period greater than eleven years from 1 April 2023. The primary rate of contribution is the employers' share of the cost of benefits accruing in each of the three years beginning 1 April 2023 and is 19.7% of payroll. In addition, some employers pay a secondary contribution rate based on their particular circumstances, the secondary contribution rate across the whole Fund averages 1.6% in 2023/2024, 1.5% in 2024/25 and 1.3% in 2025/26.

The results of the valuation are that the past service funding level of the Fund as a whole has increased from 94% to 104% between 31 March 2019 and 31 March 2022. Investment returns have been strong since the previous valuation, but gains in the funding position have been partially offset by a reduction in future anticipated investment returns net of inflation (i.e. a reduction in the real discount rate). To produce the future cashflows or liabilities and their present value Barnett Waddingham formulate assumptions about the factors affecting the Fund's future finances such as inflation, salary increases, investment returns, rates of mortality, early retirement and staff turnover etc.

The main assumptions used in the valuation were:

Financial assumptions

• Discount rate	4.6%
• Pension increases	2.9%
• CPI inflation	2.9%
• Salary increases	3.9%

Note 18 - Actuarial Present Value of Promised Retirement Benefits

International Financial Reporting Standards (IFRS) requires the disclosure of the actuarial present value of promised retirement benefits. The Fund's Actuary has prepared a report which rolls forward the value of the Employers' liabilities calculated for the triennial valuation as at 31 March 2019. On an IAS 19 basis the Actuary estimates that the net liability as at 31 March 2022 is £2,193m (31 March 2021 £2,518m), but figures calculated on an IAS 19 basis are not relevant for calculations undertaken for funding purposes or for other statutory purposes undertaken under UK pensions legislation. The Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

For the triennial valuation the actuary asks the question – what is the value of the assets required based on existing investment strategy to be sufficient to meet future liabilities? For IAS 19 valuations, however, the actuary asks the question – how much would need to be borrowed on the corporate bond market to meet future liabilities?

The expected returns on the assets actually held will be different from borrowing costs, and so different amounts are required. This manifests itself in different discount rates being used in each type of valuation, and so different values are placed on the same liabilities.

31 March 2021		**31 March 2022**
£000		**£000**
6,146,928	Present value of funded obligation	6,095,115
(3,628,709)	Fair value of scheme assets	(3,902,383)
2,518,219	**Net Liability**	**2,192,732**

The present value of funded obligation consists of £6,006m (£6,052m at 31 March 2021) in respect of vested obligation and £88m (£95m at 31 March 2021) in respect of non-vested obligation. Vested benefits are the benefits that employees have a right to receive even if they do not render services to the employer. In other words, the employees will receive their vested benefits even if they stop working for the employer. Thus, non-vested benefits are the benefits an employee can receive in the future if he or she continues providing services to the employer. The liabilities above are calculated on an IAS19 basis and therefore differ from the results of the triennial funding valuation (see Note 17) because IAS19 stipulates a discount rate rather than a rate that reflects market rates. The main assumptions used were:

Financial Assumptions / Inflation Expectations

31 March 2021		**31 March 2022**
2.00%	Discount rate	2.60%
3.20%	RPI increases	3.45% to 4.00%
2.85%	CPI increases	3.20%
2.85%	Pension increases	3.20%
3.85%	Salary increases	4.20%

These assumptions are set with reference to market conditions on 31 March. The actuary's approach to derive the appropriate discount rate is the Single Equivalent Discount Rate (SEDR) methodology. The actuary uses sample cashflows for employers at each duration year (from 2 to 30 years) and derive the single discount rate which results in the same liability value as that which would be determined using a full yield curve valuation (essentially each year's cashflows has a different discount rate). In carrying out this derivation the Actuary uses the annualised Merrill Lynch AA rated corporate bond yield curve and assume the curve is flat beyond the 30 year point. This is consistent with the approach used at the previous accounting date.

Similar to the SEDR approach described above the actuary adopted a Single Equivalent Inflation Rate (SEIR) approach in deriving an appropriate RPI assumption.

The SEIR adopted is such that the single assumed rate of inflation results in the same liability value (when discounted using the yield curve valuation described above) as that resulting from applying the BoE implied inflation curve. The BoE implied inflation curve is assumed to be flat beyond the 40 year point.

Following a recent review of the market, and in particular noting the muted market reaction to the likely alignment of RPI with CPIH (Consumer Prices Index with Housing) from 2030, the actuary's view is that gilt-implied inflation rates are currently distorted by supply and demand factors at medium and longer terms. The actuary has therefore allowed for an Inflation Risk Premium (IRP) of 0.4% at medium and longer terms (from 10 years). This results in an overall IRP of between 0.0% p.a. and 0.3% p.a. depending on the term of the liabilities (for terms ranging from 2 years up to 30 years).

Consistent with the SEDR approach, assumptions are rounded to the nearest 0.05% and the actuary used sample cashflows for employers at each duration year (from 2 to 30 years) in deriving the assumptions for the Fund.

It is expected that RPI will be on average 1.0% p.a. lower than it would have otherwise been from 2030 as a result of the proposed alignment of RPI to CPIH (and CPI) from that date. The actuary has therefore assumed that the annual increase in CPI inflation will be 1.0% p.a. lower than the market implied increases in RPI for each year prior to 2030 and will be in line with RPI inflation thereafter. This results in an assumed gap between the two inflation measures of between 0.25% p.a. and 0.85% p.a. depending on the term of the liabilities (for terms ranging from 30 years down to 5 years).

Salaries are assumed to increase at 1.0% above CPI. This approach is the same as the previous accounting date. Penson increases in the LGPS are expected to be based on Consumer Prices Index (CPI).

Demographic/Statistical assumptions

The actuary has adopted a set of demographic assumptions that are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2019. The post retirement mortality tables adopted are the S3PA tables with a multiplier of 110% for males and 95% for females. These base tables are then projected using the CMI 2020 Model, allowing for a long-term rate of improvement of 1.25% p.a., smoothing parameter of 7.5 and an initial addition to improvements of 0.5% pa. The assumed life expectations from age 65 are:

Life expectancy from age 65 (years)	31 March 2021	31 March 2022
Retiring today		
Males	21.6	21.6
Females	25.0	25.0
Retiring in 20 years		
Males	22.9	23.0
Females	26.4	26.5

The actuary also assumed that:

- Members will exchange half of their commutable pension for cash at retirement;
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age; and
- The proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same.

Note 19 - Contingent Liabilities and Contractual Commitments

Outstanding contractual commitments on 31 March 2022 relate to outstanding call payments due on unquoted limited partnership funds held in the private equity, resources, global real estate and infrastructure parts of the portfolio. The amounts “called” by the funds are irregular in both size and timing over several years from the date of each original commitment. The undrawn amount, the outstanding commitment, for each of these contracts is shown in the table below:

Outstanding Capital Commitments	31 March 2021 £000	31 March 2022 £000
Brunel Infrastructure Cycle 3	0	250,000
Brunel Private Debt Cycle 3	0	150,000
Brunel Private Equity Cycle 3	0	150,000
Brunel Infrastructure Cycle 2	233,826	183,278
Brunel Private Debt Cycle 2	130,000	107,363
Brunel Private Equity Cycle 2	119,094	98,952
Brunel Infrastructure Cycle 1	51,473	28,583
Brunel Private Equity Cycle 1	55,658	40,908
Pantheon Asia Fund V LP	1,436	1,225
Pantheon Asia Fund VI LP	3,441	2,888
Pantheon USA Fund Vll Limited	1,057	1,097
Pantheon USA Fund Vlll Feeder LP	4,014	4,171
Pantheon Global Secondary Fund IV Feeder LP	1,481	1,538

Partners Group Global Resources 2009, LP	3,079	3,248
Pantheon Europe Fund V "A" LP	860	812
Pantheon Europe Fund Vl LP	3,084	2,911
Partners Group Global Real Estate 2008 SICAR	1,707	1,524
Partners Group Global Infrastructure 2009 SICAR	2,690	2,762
	612,900	**1,031,260**

On 31 March 2022 there were no group transfers into the Fund being negotiated with other Funds (two on the 31 March 2021).

On 31 March 2022 there was one group transfers out from the Fund to other Pension Funds being negotiated (four on the 31 March 2021), the value of the transfer £2,556k has been accrued.

Note 20 - Additional Voluntary Contributions (AVCs)

AVC providers secure additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. The AVC providers to the Fund are Prudential and Scottish Widows. Prudential invests in several funds including with profits accumulation, deposit and discretionary funds. Scottish Widows invests in a range of funds to suit Scheme members' changing lifestyles. These amounts are not included in the pension fund accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of funds) Regulations 2016.

2020/2021 £000	**Prudential**	**2021/2022 £000**
4,727	Value of AVC fund at beginning of year	5,006
751	Employees' contributions and transfers in	882
328	Investment income and change in market value	436
(800)	Benefits paid and transfers out	(832)
5,006	**Value of AVC fund at year end**	**5,492**

2020/2021 £000	**Scottish Widows**	**2021/2022 £000**
2,087	Value of AVC fund at beginning of year	2,157
63	Employees' contributions	56
292	Investment income and change in market value	128
(285)	Benefits paid and transfers out	(281)
2,157	**Value of AVC fund at year end**	**2,060**

Note 21 - List of Scheduled and Admitted Bodies

Scheduled Bodies

Buckinghamshire Council
Buckinghamshire Fire and Rescue Service
Chiltern Crematorium
Chilterns Conservation Board
Thames Valley Police
Milton Keynes Council
Milton Keynes Development Partnership
PCC for Thames Valley

Amersham Town Council
Aston Clinton Parish Council
Aylesbury Town Council
Beaconsfield Town Council
Bletchley & Fenny Stratford Town Council
Bow Brickhill Parish Council
Bradwell Parish Council
Broughton & Milton Keynes Parish Council
Buckingham Park Parish Council
Buckingham Town Council
Burnham Parish Council
Campbell Park Parish Council
Chalfont St Giles Parish Council
Chepping Wycombe Parish Council
Chesham Bois Parish Council
Chesham Town Council
Coldharbour Parish Council
Coleshill Parish Council
Downley Parish Council
Gerrards Cross Parish Council
Great Missenden Parish Council
Hambleden Parish Council
Hanslope Parish Council
Hazlemere Parish Council
Hughenden Parish Council
Iver Parish Council
Ivinghoe Parish Council
Kents Hill & Monkston Parish Council
Lacey Green Parish Council
Lane End Parish Council
Little Marlow Parish Council
Little Missenden Parish Council
Longwick-cum-Ilmer Parish Council
Loughton & Great Holm Parish Council
Marlow Bottom Parish Council
Marlow Town Council
Mentmore Parish Council
New Bradwell Parish Council
Newport Pagnell Town Council
Newton Longville Parish Council
Olney Town Council
Penn Parish Council
Piddington & Wheeler End Parish Council
Princes Risborough Town Council
Shenley Brook End and Tattenhoe Parish Council
Shenley Church End Parish Council
Slapton Parish Council
Stantonbury Parish Council
Stony Stratford Town Council
Taplow Parish Council
Waddesdon Parish Council
Wendover Parish Council
West Bletchley Town Council
West Wycombe Parish Council
Weston Turville Parish Council
Winslow Town Council
Woburn Sands Town Council
Wolverton & Greenleys Town Council
Wooburn & Bourne End Parish Council
Woughton Community Council

Abbey View Primary School
Alfriston School
Amersham School
Ashbrook School
Aspire Schools
Aylesbury College
Aylesbury Grammar School
Aylesbury High School
Aylesbury Vale Academy
Beaconsfield High School
Bearbrook Combined & Pre-school
Bedgrove Infant School
Bedgrove Junior School
Beechview Academy
Bourne End Academy
Bourton Meadow Academy
Bridge Academy
Brill CofE Combined School
Brookmead School
Brooksward School

Brushwood Junior School
Buckinghamshire New University
Buckinghamshire University Technical College
Burnham Grammar School
Bushfield School
Castlefield School
Chalfonts Community College
Chalfont St Peter CE Academy
Chalfont Valley E-Act Academy
Charles Warren Academy
Chepping View Primary Academy
Chesham Bois CofE Combined School
Chesham Grammar School
Chestnuts Academy
Chiltern Hills Academy
Chiltern Way Academy
Christ the Sower Ecumenical Primary School
Cottesloe School
Curzon School
Danesfield School
Denbigh School
Denham Green E-Act Academy
Dorney School
Dr Challoner's Grammar School
Dr Challoner's High School
Edlesborough School
Elmhurst School (Academy)
Elmtreee Infant and Nursery School
EMLC Academy Trust
Fairfields Primary School
George Grenville Academy
Germander Park School
Gerrards Cross CoE School
Glastonbury Thorn First School
Great Horwood CofE Combined School
Great Kimble CoE School
Great Kingshill CoE Combined School
Great Marlow School
Great Missenden CoE Combined School
Green Park School
Green Ridge Academy
Hamilton Academy
Heronsgate School
Heronshaw School
Holmer Green Senior School
Holmwood School
Holne Chase Primary School
Ickford School
Insignis Academy Trust
Inspiring Futures Partnership Trust
Ivingswood Academy
John Colet School
John Hampden Grammar School
Jubilee Wood Primary School
Kents Hill Park School
Kents Hill School
Kingsbridge Education Trust (MAT)
Kingsbrook View Primary Academy
Knowles Primary School
Lace Hill Academy
Langland Community School
Lent Rise Combined School
Longwick CofE Combined School
Lord Grey Academy
Loudwater Combined School
Loughton School
Mandeville School
Middleton Primary School
Milton Keynes Academy
Milton Keynes College
Milton Keynes Education Trust
Monkston Primary Academy
Moorland Primary School
New Bradwell School
New Chapter Primary School
Oakgrove School
Olney Infant School
Olney Middle Academy
Orchard Academy
Ousedale School
Overstone Combined School
Oxford Diocesan Bucks School Trust (MAT)
Oxley Park Academy
Padbury CofE School
Pioneer Secondary Academy
Portfields Combined School
Princes Risborough Primary School
Princes Risborough School
Rickley Park Primary School
Royal Grammar School
Royal Latin School
St Edwards Catholic Junior School
St John's CofE Combined School
St Joseph's Catholic Infant School
St Joseph's Catholic Junior School
St Louis Catholic Primary School

St Mary & St Giles CofE School
St Mary's CofE Combined School
St Nicolas' CE Combined School Taplow
St Paul's RC School
St Peter's Catholic Primary School
Seer Green CofE School
Shenley Brook End School
Shepherdswell School
Sir Henry Floyd Grammar School
Sir Herbert Leon Academy
Sir Thomas Fremantle Academy
Sir William Borlase's Grammar School
Sir William Ramsay School
Southwood Middle School
Stanton School
Stantonbury School
Stephenson Academy
The Beaconsfield School
The Hazeley Academy
The Highcrest Academy
The Misbourne School
The Premier Academy
The Radcliffe School
Thomas Harding Junior School
Two Mile Ash School
Waddesdon CoE School
Walton High
Water Hall Primary School
Waterside Combined School
Watling Academy
West Wycombe Combined School
Whitehouse Primary School
Wooburn Green Primary Academy
Woodside Junior School
Wycombe High School
Wyvern School

Admitted Bodies

Acorn Childcare
Action for Children Services Ltd
Alliance in Partnership (BPPS)
Alliance in Partnership (BPS)
Ambassador Theatre Group
Ambient Support
Ashridge Security Management
Aspens Services Ltd
Avalon Cleaning Services (Langland School)
Birkin Cleaning Services (Shenley Brook End)
Buckinghamshire Local Enterprise Partnership
Buckinghamshire Music Trust
Bucks Association of Local Councils
Bucks County Museum Trust
Busy Bee Cleaning Services Ltd (BC)
Busy Bee Cleaning Services Ltd (BCD)
Busy Bee Cleaning Services Ltd (Walton High)
Caterlink Ltd (Chiltern Hills Academy)
Chiltern Rangers CIC
Cleantec Services Limited (Denham Academy)
Cleantec Services Limited (Oakgrove School)
Cleantec Services Limited (Radcliffe School)
Cucina Restaurants Ltd (Denbigh School)
Cucina Restaurants Ltd (Lord Grey)
Cucina Restaurants Ltd (Shenley BE)
Cucina Restaurants Ltd (Walton High)
Everyone Active Ltd
Excelcare
Fairhive Homes Ltd
Fujitsu Services Limited
Hightown Housing Association Ltd
Innovate Ltd
Kids Play Ltd
Manpower Direct Ltd
Mears Group plc
Monitor Cleaning Services Ltd
Oxfordshire Health NHS Foundation Trust
Places for People Leisure (Newport Pagnell TC)
Places for People Leisure (WDC)
Police Superintendents Association Limited
Red Kite Community Housing Ltd
Ringway Infrastructure Services
Ringway Jacobs
RM Education
Sasse Facilities Management Ltd
Serco (MKC)
Serco (MKC Recreation & Maintenance)
Sports Leisure Management
Thrift Activity Farm Ltd
Wellbeing Fitness and Leisure Community Trust
Wolverton Leisure Trust
Wycombe Heritage and Arts Trust

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.
This draft has been created from the template dated DD MMM YYYY

The Audit Findings for Buckinghamshire Pension Fund

Year ended 31 March 2022

Appendix 2

Contents

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Page 54

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Pension Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Buckinghamshire Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2022 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Pension Fund's financial statements give a true and fair view of the financial position of the Pension Fund and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

Our audit work was completed remotely December to March. Our findings are summarised on pages 19 to 25. We have not identified any adjustments to the financial statements which has an impact on the Pension Fund's reported financial position. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following outstanding matters;

- completion of IAS19 disclosure updates following the recent triennial valuation
- receipt of management representation letter and
- review of the final set of financial statements.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will be unmodified.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents will be discussed with management and the Audit and Governance Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk based, and in particular included:

- An evaluation of the Pension Fund's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion These outstanding items include:

- completion of IAS19 disclosure updates following the recent triennial valuation
- receipt of management representation letter and
- review of the final set of financial statements.

This has been summarized on slide 26

2. Financial Statements cont…

Overview of the scope of our audit

Audit approach

Conclusion

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. During the audit both your finance team and our audit team faced audit challenges again this year, such as remote access working arrangements i.e., remote accessing financial systems, verifying the completeness and accuracy of information provided remotely produced by the entity.

There are some areas of the audit such as investment and contributions testing where it took very long to obtain the evidence requested. There were instances where the evidence which we received did not tie up to the disclosures in the accounts . We had to spend more time than we had initially planned to resolve these issues in order to gain sufficient audit assurance in respect of our auditor's opinion on the financial statements.

This has been summarized on slide 26

2. Financial Statements

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan .We detail in the table below our determination of materiality for Buckinghamshire Pension Fund.

	Pension Fund Amount (£)	Qualitative factors considered
Materiality for the financial statements	39,131,000	This represents 1% of the net assets reported at 31 March 2022.
Performance materiality	29,348,000	This represents 75% of the materiality threshold above.
Trivial matters	1,956,000	This has been calculated as 5% of materiality. It is the threshold above which we are required to report errors or uncertainties to those charged with governance.

2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Pension Fund faces external scrutiny of its spending and its stewardship of its funds, this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for the Pension Fund, which was one of the most significant assessed risks of material misstatement.	We have: - evaluated the design effectiveness of management controls over journals - analysed the journals listing and determined the criteria for selecting high risk unusual journals - identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration - gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness Our audit work has not identified any issues in respect of management override of controls.

2. Financial Statements - Significant risks cont…

Risks identified in our Audit Plan	Commentary
Presumed risk of fraud in revenue recognition **ISA (UK) 240** Under ISA (UK) 240, there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: - there is little incentive to manipulate revenue recognition - opportunities to manipulate revenue recognition are very limited - the culture and ethical frameworks of local authorities, including Buckinghamshire Council and Buckinghamshire Pension Fund, mean that all forms of fraud are seen as unacceptable Therefore, we do not consider this to be a significant risk for Buckinghamshire Pension Fund.	As communicated in our audit plan, we have rebutted this risk. We have made no changes to this assessment.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Fraudulent expenditure recognition We have also considered the risk of material misstatement due to the fraudulent recognition of expenditure. We have considered each material expenditure area, and the control environment for accounting recognition. We are satisfied that this did not present a significant risk of material misstatement in the 2021/22 accounts as: - the control environment around expenditure recognition (understood through our documented risk assessment understanding of your business processes) is considered to be strong - we have not found significant issues, errors or fraud in expenditure recognition in the prior years audits - our view is that, similarly to revenue, there is little incentive to manipulate expenditure recognition Therefore, we do not consider this to be a significant risk for Buckinghamshire Pension Fund.	As communicated in our audit plan, we have rebutted this risk. We have made no changes to this assessment.

2. Financial Statements - Significant risks cont…

Risks identified in our Audit Plan	Commentary
Valuation of Level 3 investments You value your investments on an annual basis with the aim of ensuring that the carrying value of these investments is not materially different from their fair value at the balance sheet date. By their nature, Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (PY: £300m) and the sensitivity of this estimate to changes in key assumptions. Under ISA 315, significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end. Management utilise the services of investment managers as valuation experts to estimate the fair value as at 31 March 2022. We therefore have identified Valuation of Level 3 Investments as a significant risk.	We have: • evaluated management's processes for valuing Level 3 investments; • reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met; • independently requested year-end confirmations from investment managers and the custodian; • for a sample of investments, tested the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciled those values to the values at 31 March 2022 with reference to known movements in the intervening period; • in the absence of available audited accounts, we have evaluated the competence, capabilities and objectivity of the valuation expert; and • where available reviewed investment manager service auditor report on design and operating effectiveness of internal controls. Our audit work has identified four issues in respect of the valuation of Level 3 investments. These all relates to updated capital statements post production of the accounts. These are: Pantheon Europe Fund VI – value per accounts £20.4m, value per capital statement £14.9m – overstatement £5.5m Capital Dynamics Global SEC V – value per accounts £13.2m, value per capital statement £15.4m – understatement £2.2m Alpinvest Co – value per accounts £5.4m, value per capital statement £7.8m – understatement £2.4m Capital Dynamics Clean Energy – value per accounts £3.9m, value per capital statement £2.1m – overstatement £1.7m. The net impact is an overstatement of £2.6m.

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 3 Investments – £300m	The Pension Fund has pooled investments vehicles (infrastructure, private debt, private equity, property –unit trusts and long term investments) that in total are valued on the balance sheet as at 31 March 2022 at £300m. Buckinghamshire Pension fund invests in the pooled funds managed by Brunel Pension Partnership limited. Management receive quarterly performance reports which are reviewed and subsequently presented to both the Pension Fund Committee and the Local Pensions Board. in order to provide scrutiny of estimates and consider any uncertainty. Key fund managers will periodically attend committee meetings which provides an opportunity for officers and members to challenge any unusual movements or assumptions. These investments are not traded on an open exchange/market and the valuation of the investment is highly subjective due to a lack of observable inputs. In order to determine the value, management rely on the valuations provided by the custodian (Statestreet) and investment managers for the pooled investment vehicles which the Pension Fund invests in and Brunel.	Management determine the value of pooled investment vehicles by placing reliance on the reports provided by the custodian, and Brunel. As such we reviewed confirmations of year end valuations for all sampled investment managers and also agreed them to both the Custodian and Statestreet reports. We reviewed the audited accounts and unaudited valuations at the audited accounts date to determine if values estimated are reasonable. Where provided, we further reviewed service organisation reports for the investment managers. Sensitivities disclosed in the notes to the accounts are reasonable and in line with the Code.	Light Purple

Assessment

- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements – key judgements and estimates cont…

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 3 Investments – £300m	The value of the investment has increased by £143m in 2021/22, largely due to additional investments made during the year and the general recovery of financial markets following the Covid-19 pandemic. We identified that assets were overstated by £2.6m.	The estimate is adequately disclosed in the financial statements. Our audit work has not identified any issues in respect of the valuation of Level 3 investments.	Light Purple

Assessment

- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates cont...

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 2 Investments – £3,580m	The Pension Fund has level 2 investments in pooled funds with Brunel that in total are valued on the balance sheet as at 31 March 2022 at £3,580million Similar to the level 3 assets, Management receive quarterly performance reports which are reviewed and subsequently presented to both the Pension Fund Committee and the Local Pensions Board. in order to provide scrutiny of estimates and consider any uncertainty. Key fund managers will periodically attend committee meetings which provides an opportunity for officers and members to challenge any unusual movements or assumptions. The investments are not traded on an open exchange/market and the valuation of the investment is subjective. In order to determine the value, management obtains valuations from the pooled fund manager (Brunel and custodian to ensure that valuations are materially fairly stated.	Our assessment of the estimate comprised: • reviewing year end valuation reports for the individual fund mangers of the pooled investment vehicles • triangulating the investment values between the custodian, Brunel and the individual fund managers of the pooled investment vehicles since management place their reliance on the valuations provided by Statestreet and Brunel. • agreeing investment unit prices or valuations to reports from the custodian and fund managers and the audited accounts for that asset . • testing observable inputs to appropriate and recognised sources where available. • for investments where there were no observable inputs, we treated the fund managers as experts We assessed the appropriateness of the underlying information and techniques used to determine the estimate and checked the adequacy of disclosure of the estimate in the financial statements.	Light Purple

Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates cont...

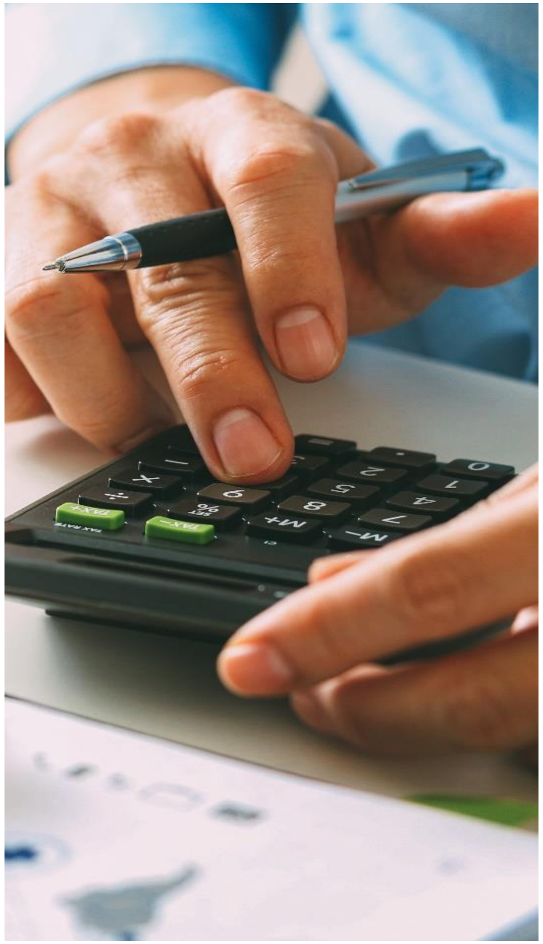
Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 2 Investments – £3,580m	The value of the investment has increased by £141m in 2021/22 largely due toto additional investments made during the year and the general recovery of financial markets following the Covid-19 pandemic.	The estimate is adequately disclosed in the financial statements. Our audit work has not identified any issues in respect of the valuation of Level 2 investments.	Light Purple

Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.



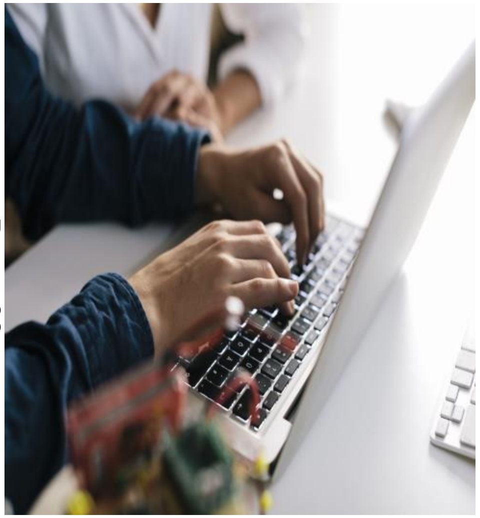
Significant matter	Commentary	Auditor view and management response
Effect of market movements on the Pension Fund's investments following the government's mini budget	Rising interest rates during the period following the announcement of the mini budget impacted pension funds that had significant investments in liability driven investments (LDIs). LDIs reduce funding level volatility caused by changes in interest rates and future liabilities. This is therefore an investment strategy that focuses on matching assets with current and future liabilities.	Officers at the Pension Fund confirmed that there were no investments in LDIs at 31 March 2022. This is consistent with our understanding.
Investments in Russia	The Government has introduced sanctions and prohibited a number of business activities with Russia	Officers at the Pension Fund confirmed that there were no prohibited transactions with Russia.

2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Governance Committee . We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Pension Fund , which is included in the Audit and Governance Committee papers.

2. Financial Statements - other communication requirements



Page 69

Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests to your custodian, fund managers and banks. This permission was granted and the requests were sent.
Accounting practices	We have evaluated the appropriateness of the Pension Fund's accounting policies, accounting estimates and financial statement disclosures. Our work on accounting policies is ongoing.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided. As mentioned on slide 4, it took considerable time for the Pension Fund to provide us with working papers and evidence for some balances particularly level 2 investments and contributions. This means that considerably longer time for the audit to be completed than we initially planned.

2. Financial Statements - other communication requirements

Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting.

2. Financial Statements - other communication requirements cont...

Page 71

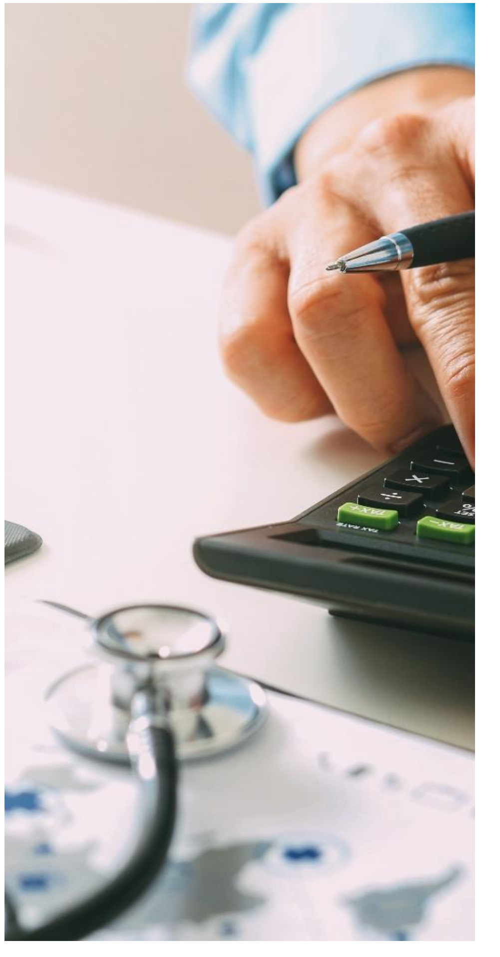
Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Issue	Commentary
Going concern	Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Pension Fund and the environment in which it operates • the Pension Fund's financial reporting framework • the Pension Fund's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Disclosures	No inconsistencies have been identified.
Matters on which we report by exception	We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We expect to issue our 'consistency' opinion on the Pension Funds Annual Report alongside the opinion of the financial statements.



3. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Transparency report 2020 (grantthornton.co.uk)

3. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund. The following non-audit services were identified which were charged from the beginning of the financial year to March 2023, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Non - Audit related			
IAS19 procedures for other bodies admitted to the pension fund.	8,000	Self- interest	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £8,000 in comparison to the total fee for the audit of £38,000 and in particular relative to Grant Thornton UK LLP's turnover overall. This mitigates the perceived self-interest threat to an acceptable level.

These services are consistent with the Pension Fund's policy on the allotment of non-audit work to your auditors None of the services provided are subject to contingent fees.

Appendices

A. Action plan – Audit of Financial Statements

We have identified 4 recommendations for the Pension Fund as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2022/23 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
High	**IT Deficiencies** **Inappropriate developer access to the production environment** **Allocation of SAP_ALL and SAP_NEW profiles to service and dialog accounts** • SAP_ALL profile had been allocated to 13 service accounts and 2 dialog accounts. • SAP_NEW profile has been allocated to 9 service accounts and one dialog account. **The standard SAP account DDIC has not been locked** • The SAP DDIC account by default has the highest system privileges and is often associated with background processes, our review identified that this account whilst set as a system account, is also being used for 'firefighting purposes' and is not locked.	We recommend that management implement the recommendations made by the IT team in a timely manner as these are significant deficiencies. **Management response** TBC

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

A. Action plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
High	**Inappropriate user access rights allocated to users and generic accounts** • Transaction codes (T-codes) are used to execute particular tasks in SAP. The PFCG T-code is used for maintaining and managing roles and authorisation data; and the SU01 T-code is used for user maintenance. • 21 users had been assigned the SU01 transaction code. • 22 users had been assigned the PFCG transaction code. • The generic user account SAPSUPPORT had also been assigned the SU01 and PFCG transaction codes with an end date of 01/12/2021. • The generic user account SAPSUPP had also been assigned the SU01 and PCFG transactions codes with an end date of 25/04/2021.	

Page 77

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

A. Action plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	From our testing of management expenses, we identified that expenses which are in other currencies such as EURO and USD were not translated to GBP, hence creating foreign exchange differences which were trivial. The supporting documents which were provided by management did not tie up and resulted in a difference of £452k between the amount in the accounts and the evidence which management provided. A fund manager expense of £76k was not included as part of management expenses. Although the errors resulting from the above issues are immaterial to the 21/22 accounts, if management do not address the issues identified, this could lead to higher errors in the future.	We recommend that management put in place controls to ensure that all expenses are properly recorded, translated to the correct currency and agree to the supporting documents **Management response** TBC
Medium	We identified from our testing of employer body changes, that for Action for Children, the Barnet Waddingham report showed it as a newly admitted body in 19/20, however the pension fund did not show it as an admitted body until 21/22 due to delays in receiving a signed admission agreement and the pension fund updating their systems. Chartwells Ltd (Oakgrove School) cessation report shows cessation on 31/07/2020 from the Barnett Waddingham report when the last member left, however the Pension fund did not remove it as an admitted body until 21/22 due to delays in receiving a cessation report and the pension fund updating their systems.	Management should have controls in place to ensure that Note 21 (List of admitted and scheduled bodies correctly reflets employer bodies which have joined or left pension fund during the year **Management response** TBC

Page 78

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

A. Action plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	Errors identified from member data controls testing • We identified 2 starters which were created in error via iConnect as the team was learning how to use the iConnect system when the system initially went live. The starters should not have been included on the Starters list. • We identified 15 starters where system records and statutory notices were created or sent out at a later date than the employment date. This was due to late setup in Altair. • We also identified 5 samples where statutory notices were not sent out due to system error with the starters not being flagged as needing statutory notice. We were able to confirm that for the samples tested, the issues above did not affect the contributions amount and the correct contribution was still paid by the employers and the employees. It is best practice for management to ensure system records are updated on time as this can lead to an error in the future. The Pension fund also incorrectly classified an undecided leaver as leaver.	We recommend that management put in place controls to ensure that starters and leavers information are correct and there is no double counting. Statutory notices should be sent from the Fund to the new members informing them of their membership to the Fund. Leaver notification form should be received for the employee confirming a leave date and signed by an member of staff at the employer body before leaver entitlement is determined. Management response TBC

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Follow up of prior year recommendations

We identified the following issues in the audit of [Buckinghamshire Pension Fund's 2020/21 financial statements, which resulted in 1 recommendation being reported in our 2020/21 Audit Findings report. We are pleased to report that management have implemented our recommendation

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**Transaction listings** At the start of the audit transaction listings contained many contra entries, which ultimately reverse out and do not form part of year end balances. We worked with management to ensure that transactions listings were cleansed before we selected our samples. This caused some delay to audit progress. The risk is that if transaction listings are not cleansed, we will select sample items that ultimately need to be replaced as they do not exist at year end and/or our sample sizes are significantly inflated increasing audit input and the demand on management.	**Management response** Management reviewed and cleansed transaction listings of significant contra entries before they sent us the listings.

Assessment

✓ Action completed

X Not yet addressed

C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Page 81

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Auditor recommendations	Adjusted?
The audit fees was not updated in the draft accounts.	We recommend that management update the financial statements with the audit fees per the audit plan **Management response** This will be updated	✓
The financial assumptions (discount rate, pension increases, CPI inflation, salary increases and RPI increases were not correctly updated in the draft financial statements	We recommend that management update the financial statements with the correct financial assumptions **Management response** This will be updated	✓
We identified 3 disclosure errors from our testing of changes in employer bodies who contribute to the pension fund. • Manor Farm Junior School was incorrectly included as an admitted body in 21/22 when it actually became an admitted body in May 22	The audit team propose that the Pension Fund amend the disclosure errors in employer Bodies **Management response** This will be updated	✓

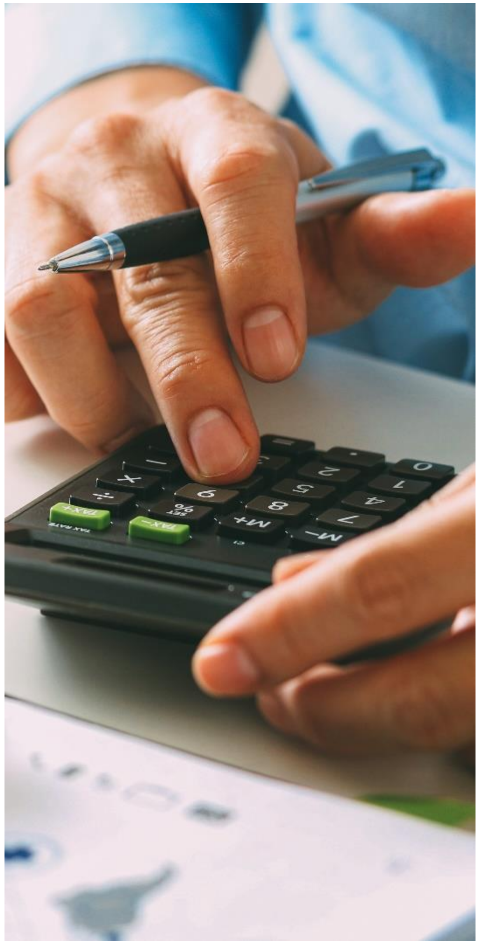
C. Audit Adjustments

Misclassification and disclosure changes - continued

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission		Adjusted?
• Chiltern Conservation Board was incorrectly included as an admitted body, when it should have been included as a as a scheduled body because it is a conservation board per 2013 regulations point 23 Part 1 Scheduled Bodies. • The amendment of Stantonbury Campus name was incorrectly replaced with Stantonbury International School. It which should have been Statonbury School.		
The percentage change for Currency (Japanese Yen) as at 31/03/2022 has been incorrectly stated as 7.56% in the draft accounts instead of the correct percentage change of 8.25% under 'Currency Exposure by Significant Currency' section in note 13	We recommend that management update this to show the correct percentage change in the Japanese Yen. **Management response** This will be updated	✓

C. Audit Adjustments



Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2021/22 audit which have not been made within the final set of financial statements. The Audit and Governance Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000	Reason for not adjusting
• Investment assets		-2,623	-2,623	Not material
• (Profit) and losses on disposal of investments and changes in value of investments	2,623			
Differences identified between the value of investments disclosed in the financial statements and the capital statements as at 31 March 2022 received from third party investment managers.				
Overall impact	2,623	-£2,623	-£2,633	

Impact of prior year unadjusted misstatements

There were no unadjusted misstatements.

D. Fees

We confirm below our final fees charged for the audit the provision of non audit services.

Audit fees	Estimated Fee
Scale Fee	£19,750
ISA 540	£3,800
Investments valuation	£5,900
Journals testing	£2,100
ISA 315	£1,000
Extra work arising from delayed response from Management and the investment managers for investment testing as well as additional work which was required to tie back investment working papers the evidence provided and the disclosures in the accounts	£6,500
Extra work resulting from delays with responses on Contributions testing and additional work carried and challenges made by the audit team a result of errors identified.	£3,500
Delays with responses for IAS 19 testing	£2,500
Extra work resulting from delays with explanation for journals testing and management providing evidence	£1,000
Total audit fees (excluding VAT)	£46,050

D. Fees

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services		
Other [IAS 19 Assurances]	8,000	8,000
Total non-audit fees (excluding VAT)	£8,000	£8,000

grantthornton.co.uk

Appendix 3

IT Deficiencies
Inappropriate developer access to the production environment

Allocation of SAP_ALL and SAP_NEW profiles to service and dialog accounts

- SAP_ALL profile has been allocated to 13 service accounts and 2 dialog accounts
  - *Response: These are Service users that have access to all Company codes as these user ids are used to run background jobs. Only two dialog users have this access which is granted for the completion of batch jobs only.*
- SAP_NEW profile has been allocated to 9 service accounts and one dialog account
  - *Response: These are Service users that have access to all Company codes as these user ids are used to run background jobs. Only one dialog user has this access which is granted for the completion of batch jobs only.*

The standard SAP account DDIC has not been locked

- The SAP DDIC account by default has the highest system privilege and is often associated with background processes, our review identified that this account whilst set as a system account, is also being used for 'firefighting purposes' and is not locked.
  - *Response: This user is used for upgrade purposes only and not for firefighting. The account has been locked.*

Inappropriate user access rights allocated to users and generic accounts

- Transaction codes (T-codes) are used to execute particular tasks in SAP. The PFCG T-code is used for monitoring and managing roles and authorisation data; and the SU01 T-code is used for user maintenance.
- 21 users had been assigned the SU01 transaction code.
  - *Response: This is to allow Admin Service Desk users to perform user maintenance and user creation.*
- 22 users had been assigned the PFCG transaction code.
  - *Response: This is to allow admin colleagues to assign roles. Roles are assigned to a user's post and not directly to a user.*
- The generic user account SAPSUPPORT has also been assigned the SU01 and PFCG transaction codes with an end date of 01/12/2021.
  - *Response: This is a firefighter role which is used for SAP Support and is only unlocked for a short period of time as and when required.*
- The generic user account SAPSUPP has also been assigned the SU01 and PFCG transaction codes with an end date of 25/04/2021.
  - *Response: This is a firefighter role which is used for SAP Support and is only unlocked for a short period of time as and when required.*

Management expenses
Issue and risk: From our testing of management expenses, we identified that expenses which are in other currencies such as EUR0 and USD were not translated to GBP, hence creating foreign exchange differences which were trivial. The supporting documents which were provided by management did not tie up and resulted in a difference of £452k between the amount in the accounts and the evidence which management provided. A fund manager expense of £76k was not included as part of management expenses.

Although the errors resulting from the above issues are immaterial to the 21/22 accounts, if management do not address the issues identified, this could lead to higher errors in the future.

We recommend that management put in place controls to ensure that all expenses are properly recorded, translated to the correct currency and agree to the supporting documents.

Response: The template for calculating investment management expenses will be improved to include formulae to translate Euros and US dollars to GBP. Also, a formula to double check the totals will be added.

List of Scheduled and Admitted bodies
Issue and risk: We identified from our testing of employer body changes, that for Action for Children, the Barnet Waddingham report showed it as a newly admitted body in 19/20, however the pension fund did not show it as an admitted body until 21/22 due to delays in receiving a signed admission agreement and the pension fund updating their systems.

Chartwells Ltd (Oakgrove School) cessation report shows cessation on 31/07/2020 from the Barnett Waddingham report when the last member left, however the Pension fund did not remove it as an admitted body until 21/22 due to delays in receiving a cessation report and the pension fund updating their systems.

Management should have controls in place to ensure that Note 21 (List of admitted and scheduled bodies correctly reflets employer bodies which have joined or left pension fund during the year.

Response: The cessation reports and admission agreements will be collated as part of the process of drafting the accounts and the start / cessation dates checked. Since the actual cessation payment / receipt could be later than the cessation date in the report a body could still be part of the Fund even though they don't have any active members.

Errors identified from member data controls testing

Issue and Risk: We identified 2 starters which were created in error via iConnect as the team was learning how to use the iConnect system when the system initially went live. The starters should not have been included on the Starters list.

We identified 15 starters where system records and statutory notices were created or sent out at a later date than the employment date. This was due to late setup in Altair.

We also identified 5 samples where statutory notices were not sent out due to system error with the starters not being flagged as needing statutory notice.

We were able to confirm that for the samples tested, the issues above did not affect the contributions amount and the correct contribution was still paid by the employers and the employees. It is best practice for management to ensure system records are updated on time as this can lead to an error in the future.

The Pension fund also incorrectly classified an undecided leaver as leaver.

Recommendation: We recommend that management put in place controls to ensure that starters and leavers information are correct and there is no double counting. Statutory notices should be sent from the Fund to the new members informing them of their membership to the Fund. Leaver notification form should be received for the employee confirming a leave date and signed by an member of staff at the employer body before leaver entitlement is determined.

Response: Starters - we have a procedure where these are identified in two ways. Firstly, where no data is submitted for an active record via i-Connect (IC), an automatic reconciliation workflow is created named 'Actives not updated'. This will identify whether this is a leaver or identify that a duplicate record was created. Where it is duplication, the Employer Liaison Team (ELT) merge the records and delete the duplicate. For all new records created, an iSTART workflow is also created which the Pensions Assistants review in order to add any service history data or create aggregation workflow where appropriate. They also check that it is a genuine new starter. If it isn't, the above IC reconciliation workflow may already exist for ELT to address. If not, the Pensions Assistants create a MERGE workflow so it can be dealt with.

Leavers – there is no requirement in the LGPS Regulations for a Scheme Employer to provide an Administering Authority with a hard copy Leaver Notification Form. Employers inform BPF of all leavers via IC and this meets the requirement set out in Section 1 of the LGPS Payroll Guide. Each authorised user at the Scheme Employer has an individual log on for IC. When they access IC and submit their monthly data, including leavers, there is an audit trail showing the full submission, date & time of submission and the details of the authorised employee at the Scheme Employer who made the submission.

Statutory Notifications - there is an ongoing issue with Statutory Notifications. The Statutory Notice itself hasn't been revised for some time and there are cases where members are not being identified by the Statutory Notice report. The Senior Systems Officer has looked into it, but so far, hasn't been able to resolve the issue. Where we do identify these cases a Statutory Notice is issued immediately. The Senior Systems Officer has a specific objective for this quarter to fully review the Statutory Notice procedure/report, and work with our software provider to resolve the issue.

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Report to Council

Date:	TBC
Title:	**DRAFT Annual Report of the Audit and Governance Committee**
Relevant councillor(s):	Cllr Richard Newcombe
Author and/or contact officer:	Maggie Gibb, Head of Business Assurance (& Chief Auditor)
Ward(s) affected:	N/A
Recommendations:	**Council is asked to note the content of this report**
Reason for decision:	N/A

1. Executive summary

1.1 This annual report has been prepared to inform Buckinghamshire Council of the work carried out by the Council's Audit and Governance Committee during the 2022/23 financial year.

1.2 In accordance with CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022, the Audit and Governance Committee should report annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance.

2. Content of report

2.1 The Audit Committee is a key part in the Council's governance framework to provide an independent oversight on the effectiveness of the Council's governance, risk, financial management, and internal control arrangements.

2.2 The Audit and Governance Committee has met six times during the year:

1. 11 May 2022
2. 28 July 2022
3. 27 September 2022
3. 23 November 2022
4. 1 February 2023
5. 29 March 2023

2.3 At each meeting we have reviewed our Forward Work Programme ensuring the work mirrors the level of risks and priorities of the Council. Any actions raised during previous Committee meetings are reviewed for completeness.

2.4 Throughout the year, the Committee has continued to receive valued professional reports, support and advice from Corporate Finance, Treasury Management, Risk Management, Procurement, Internal Audit and from our External Auditors.

2.5 The Audit and Governance Committee is responsible for approving and monitoring the Council's Whistleblowing Policy, Anti-Fraud and Corruption Policy and Money Laundering Policy.

2.6 One of the committee's key responsibilities is to approve the Council's Financial Statements and Annual Governance Statement.

2.7 The committee has received regular updates from senior officers and the external auditors on the production and audit of the financial statements and is monitoring the plan to catch up. Only 9% of authorities across the country completed their accounts by the due date and that position has remained. Buckinghamshire Council is experiencing delays in accounts sign off along with many other Councils for a variety of factors including increased complexity, changing regulatory requirements of both councils and auditors and staffing shortages There are about 630 delayed audit opinions outstanding in England.

2.8 As of 30 November 2022, 34% of councils had 2020/21 audits outstanding and 88% had 21/22 audits outstanding.

2.9 The Annual Governance Statements for 2021/22 was agreed in November 2022. Members will consider the Annual Governance Statement for 2022/23 at the July 2023 meeting.

2.10 The Committee approved the terms of reference for Internal Audit (Internal Audit Charter), the Business Assurance Strategy including the Annual Internal Audit Plan, and the Counter Fraud Plan.

2.11 Priorities have been reviewed regularly, and the plan has remained fluid to allow for assurance activity to take place in the highest risk areas.

2.12 The Audit and Governance Committee has received updates on the work of the Counter Fraud/Investigations team, including details of successful outcomes, prosecutions and recoveries.

2.13 The Risk Management Group is a sub-group of the Audit and Governance Committee and has met seven times during the financial year. The group review the strategic and key directorate risks facing the authority and the internal controls and governance in place to manage those risks to demonstrate how risk management is embedded within Services.

2.14 The Audit and Governance Committee is responsible for approving the Risk Management Strategy, and the Risk Management Group monitors the effective implementation of the strategy.

2.15 The Audit and Governance Committee undertook the scrutiny role for the development of future Treasury Management strategy prior to its presentation to Council for approval. It also received mid-term and annual reports on the extent of compliance with the approved Treasury Management strategy and an analysis of the performance against the targets set. During the year it recommended the Treasury Management strategy and performance monitoring reports for Council approval.

2.16 The Audit and Governance Committee has continued to review the Council's Constitution.

2.17 [PLACEHOLDER – REVIEW OF IMPACT AND EFFECTIVENESS OF A&G USING CIPFA SELF ASSESSMENT OF BEST PRACTICE – TO BE COMPLETED DURING MAY 2023]

2.18 The Chairman of the Audit and Governance Committee would like to thank members and officers who have supported the work of this Committee by presenting, discussing, challenging, and debating solutions to the governance, risk, financial, and control environment of the Council.

3. Other options considered

3.1 N/A.

4. Legal and financial implications

4.1 There is regular review of financial risks through the Risk Management Group and the Audit and Governance Committee also considered the value for money conclusions of the external auditors.

5. Corporate implications

5.1 None

6. Local councillors & community boards consultation & views

6.1 N/A

7. Communication, engagement & further consultation

7.1 N/A

8. Next steps and review

8.1 N/A

9. Background papers

9.1 Audit and Governance Committee agendas.

10. Your questions and views (for key decisions)

10.1 If you have any questions about the matters contained in this report, please get in touch with the author of this report. If you have any views that you would like the cabinet member to consider, please inform the democratic services team. This can be done by telephone 01296 382343 or email democracy@buckinghamshire.gov.uk.