



## Pension Fund Committee agenda

Date: Wednesday 5 July 2023

Time: 1.00 pm

Venue: The Paralympic Room, Buckinghamshire Council, Gatehouse Road, Aylesbury  
HP19 8FF

### Membership:

R Bagge, Mr M Barber (Thames Valley Police), T Butcher, A Collingwood, E Gemmell, T Hussain, I Macpherson, P Marland (Milton Keynes Council) and M Walsh

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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: Elly Cook / Clare Gray  
democracy@buckinghamshire.gov.uk 01895 837319 / 01895 837529



## Pension Fund Committee minutes

Minutes of the meeting of the Pension Fund Committee held on Tuesday 21 March 2023 in The Paralympic Room, Buckinghamshire Council, Gatehouse Road, Aylesbury HP19 8FF, commencing at 2.00 pm and concluding at 5.40 pm.

### Members present

R Bagge, T Butcher, A Collingwood, I Macpherson, P Marland and M Walsh

### Others in attendance

C Dobson, J Edwards, R Ellis, T English, C Gray, M Passey, F Ward, L O'Donnell and C Lewis-Smith

### Apologies

M Baldwin and E Gemmell

### Agenda Item

#### 1 Apologies for Absence

Apologies for absence were received from Cllr M Baldwin (who had been appointed as a new Member of this Committee) and Cllr E Gemmell.

#### 2 Declarations of Interest

There were no declarations of interest.

#### 3 Minutes of the last meeting

With the addition of C Dobson, Advisor in attendance it was **RESOLVED that the Minutes of the Meeting of the Pension Fund Committee held on 24 November 2023 were agreed as a correct record.**

#### 4 Buckinghamshire Pension Fund Board Draft Minutes

**RESOLVED that the Minutes of the Buckinghamshire Pension Fund Board meeting held on 13 December 2022 be noted.**

#### 5 External Audit Plan

The Committee received the Buckinghamshire Pension Fund Audit Plan for the year ending 31 March 2022, which had been produced by Grant Thornton. This document provided an overview of the planned scope and timing of the statutory audit of Buckinghamshire Pension Fund, which mainly included any significant risks

identified, accounting estimates, materiality, IT strategy, and audit fees. The Plan had been produced late in its cycle due to Buckinghamshire Council accounts for 20/21 still to be signed off. A Member who was also Chairman of the LGA Resources Committee commented that this was a national problem as a number of Councils had the same issue and a meeting had been arranged with Government Ministers to discuss this.

Reference was made to the IAS19 Assurance Letter for Admitted Bodies which was £8,000 which was being paid for by the Pension Fund; this was for four organisations at a cost of £2,000 each.

A question was asked in relation to significant risks identified and the management override of controls which was because the Fund faced external scrutiny of its spending which could potentially place management under undue pressure in terms of how they reported performance. The Pensions and Investments Manager confirmed that there was no fraudulent expenditure. Materiality at the planning stage of the audit was £39m [PY £36m] which equated to 1% of the net assets as at 31 March 2022.

**RESOLVED that the External Audit Report be noted.**

## **6 Triennial Actuarial Valuation**

The actuary carried out an actuarial valuation every three years to review the financial position of the Fund and to set appropriate contribution rates for each employer in the Fund. A copy of the draft valuation report was attached at Appendix 1 to the report. The actuary would issue a final report on 31 March 2023. The Fund had assets of £3.91bn, which was sufficient to cover 104% of the accrued liabilities as at 31 March 2022. This was an increase from 94% at the 31 March 2019 valuation. Investment returns had been strong since the previous valuation, but gains in the funding position had been partially offset by a reduction in future anticipated investment returns net of inflation.

Individual employer contribution rates were set out in the Rates and Adjustments Certificate on pages 34 to 49 of the appendix. The average primary rate, the rate required to meet the cost of future accrual of benefits, across the whole fund was 19.7% of payroll. The secondary rate was an adjustment to the primary rate to arrive at the total rate each employer was required to pay to allow for deficit recovery.

The Committee discussed the assumptions that were used, as was set out in pages 23 to 26 of the appendix. The key assumptions were a discount rate assumption of 4.6% per annum and a Consumer Price Index (CPI) inflation of 2.9% per annum.

The Committee noted that there had been a number of important regulatory changes since the 2019 valuation including McCloud, Cost Management and Climate risk. Details of how the actuary had approached each change was detailed in pages 27 to 30 of the appendix.

Reference was made to the sensitivities to liabilities and Members recognised that

whilst the Pension Fund was fully funded, there was no room for complacency in the longer term. Whilst there was volatility in the markets and with high interest rates currently, the Advisor reported that the main priority was to have a sensible Investment Strategy which was well diversified.

**RESOLVED that the Buckinghamshire Pension Fund Actuarial Valuation as at 31st March 2022 be noted.**

## **7 Administration Policy Updates**

As administering authority of the Buckinghamshire Pension Fund, Buckinghamshire Council was required to formulate, publish and review policies in accordance with the Local Government Pension Scheme (LGPS) Regulations. The Governance Compliance Statement was reviewed annually. The Administering Authority Discretionary Policy, Pension Administration Strategy and Communication Policy Statement were reviewed triennially in line with the fund valuation.

The Governance Compliance Statement was last approved on 21 March 2022. The updated statement, which was attached at Appendix 1 to the report, reflected the review date, changes to job titles and updates to web links. There have been no material changes to the statement. The implementation of recommendations set out in the Scheme Advisory Board's Phase III Good Governance report was still awaited which would increase the level of detail required in the statement.

The Administering Authority Discretionary Policy was last approved on 5 July 2021 as there was a material change during the three-year review period. Material changes due to this review were highlighted in the policy, which was attached at appendix 2 to the report. All other changes reflected the review date, changes to job titles and updates to web links. On page 103 of the agenda pack reference was made to reducing the time limit of notice to withdraw benefits due to the current economic climate in exceptional circumstances. In terms of evidence of financial dependence of a cohabiting partner further evidence could be required.

The Pension Administration Strategy was last approved on 28 February 2020. Material changes due to this review were highlighted in the updated policy, which was attached at Appendix 3 to the report. All other changes reflected the review date, changes to job titles, updates to web links and updates to legislation.

The Communication Policy Statement was last approved on 5 July 2021. Material changes due to this review were highlighted in the updated statement which was attached at Appendix 4 to the report.

In relation to the Pension Administration Strategy a Member proposed an amendment that the cost of £50 should be per scheme member and that if additional work was required the charge could be higher to reflect that. Members were happy with this amendment. Members noted that training would be provided and that the charge would be imposed as a last resort, particularly as some organisations such as Parish Councils would not have the funds for large charges.

The Pensions Administration Manager reported that there had been an occurrence previously when they had not been notified of leavers. However, since the I Connect Portal had been installed, data could be transferred more easily; the issue now was more of ensuring quality data rather than timing.

**RESOLVED that the Governance Compliance Statement, Administering Authority Discretionary Policy, Pension Administration Strategy as amended above and Communication Policy Statement be approved.**

## **8 Treasury Management Service Level Agreement**

The Committee received a report which provided an update on the provision of treasury management services by Buckinghamshire Council to the Pension Fund in 2022/23. The Committee was asked to discuss and note the arrangements for investing the Pension Fund's surplus cash balances in 2023/24.

During 2022 (2021), the Pension Fund earned £181.1k (£0.5k) interest on its working cash balances, the average balance of £13.2m (£8.3m). The cash balances ranged from £112k to £31.5m during 2022 (£6.8k to £45.9m during 2021). A separate bank account operated for the Pension Fund. The Council's treasury team invested all the Pension Fund's working cash in the Pension Fund bank account or money market funds. The Service Level Agreement for 2023/24 was attached at Appendix 1 to the report.

Local Government Pension Regulations (Management & Investment) 2009 gave the Pension Fund the power to arrange a temporary loan from a bank for up to 90 days in order to pay benefits due under the Pension Fund Scheme or to meet investment commitments. However, there were no counterparties in the market that would temporarily lend cash to the Pension Fund. In previous years, Members of the Pension Fund Committee had indicated that they would prefer to borrow from the market rather than the Council. However, with no external market willing to temporarily lend to the Fund, the Pension Fund Committee Members agreed that they would prefer the Fund to borrow temporarily from the Council rather than maintain a higher cash buffer to meet any unexpected cash requirements. There were no instances during 2022 where the Fund temporarily borrowed cash from the Council.

**RESOLVED that the Pension Fund treasury management service level agreement be noted.**

## **9 Funding Strategy Statement**

The Funding Strategy Statement (FSS) sets out how the administering authority had balanced the conflicting aims of affordability of contributions, transparency of processes, stability of employers' contributions and prudence in the funding basis. It was reviewed every three years following the triennial valuation.

Following the 31 March 2022 Actuarial Valuation, the FSS, attached at Appendix 1 to the report, had been updated to reflect the outcome and assumptions of the

triennial valuation. The FSS had also been updated with a new approach for full cessations, which involved the adoption of an ongoing funding approach instead of using gilt yields.

**RESOLVED that the revised Funding Strategy Statement (FSS) be approved.**

**10 Forward Plan**

**RESOLVED: That the Forward Plan be noted.**

**11 Question Time**

The following question was asked by Councillor Ed Gemmell under section 2.17 of the Committee Procedure Rules:

**“There have been ongoing requests from members of the scheme and other residents in Buckinghamshire for an increased level of transparency from the Pension Fund Committee. Under the Constitution the committee is committed to operating “as transparently as possible” and items can only be deemed confidential by the Chairman. Please can an explanation be provided by the Chairman as to why he has ruled the majority of the deliberations and consultations of the pension committee to be confidential, for what reason he deems these items confidential and how he might envisage relaxing his ruling to promote more transparency for scheme members?”**

Response provided by Councillor Timothy Butcher:

The Council’s submission of information to meetings is based on a judgement of the statutory provisions as set out in the Council’s Access to Information Rules (Part B, section 2 of the [Council’s Constitution](#), page 30). These are based on the statutory rules for the exclusion of members of the public and press. Formal committee meetings must be held in public unless one or more of a limited number of legal reasons apply. The Access to Information Rules list them. They relate, as one would expect, to such things as personal data, commercial and financial interests etc. Paragraph 2.18 says: “ The public may be excluded from an item at a meeting whenever it is likely in view of the nature of the business to be transacted or the nature of the proceedings, that exempt information would be disclosed.” Paragraph 2.20 then goes on to list what the valid reasons for exempting the procedures.

This means that ‘a private session’ would only discuss issues that relate to one of the exemptions. In summary, the full list is:

- a. Information relating to an individual
- b. Information which is likely to reveal the identity of an individual.
- c. Info relating to the financial or business affairs (past or present) of any particular person (this includes commercial interests)
- d. Information relating to any consultations or negotiations, or contemplated

consultations or negotiations, in connection with any labour relations matter

- e. Information in respect legal professional privilege
- f. Information which reveals that the Authority proposes to give notice or issue orders
- g. Information relating to the prevention, investigation or prosecution of crime.

Paragraph 1.15 of the Pension Fund Committee Terms of Reference does not add to these provisions but is intended as an indication as to how they may be used when constructing an agenda. Any decision on excluding the press and public to consider such an item in exempt session is a decision of the committee (not of the Chairman), based on officer advice, having regard to the statutory provisions. Given that the statutory provisions exist in the form that they do, proper implementation of them is itself a reflection of the public interest.

The specific reason for regarding an item and any associated information as exempt will be specified in the resolution of the meeting and will always relate to one of the reasons set out in paragraph 2.20 of the Access to Information Procedure Rules.

The Chairman also commented that he was taking advice on whether the risk register could be provided in the public part of the meeting. A Member asked what information was provided to Pension Scheme Members. In response it was noted that they received an annual benefit statement for their annual valuation. Information was also provided on the website which included the Funding Strategy Statement, Investment Strategy, Environment, Social and Governance Policy and the Annual Report. The triennial actuarial valuation would be available at the end of March. In terms of providing benchmarking of other providers this was not relevant as it was a defined benefits scheme which was legally defined. A Member commented that whilst investment performance was key for employers Pension Scheme Members should be made aware of any risks to the Fund. The Pensions and Investments Manager reported that the actuarial valuation was a public document which provided benchmarking information.

A Member commented that the Committee was transparent and where legislation allowed they debated policies in public such as climate issues. The Advisor also commented that there was information on Brunel's website on their carbon targets.

A copy of a redacted benefit statement would be provided to Members for their information.

**Action: Pensions and Investments Manager**

## **12 Exclusion of the Press and Public**

**RESOLVED That the press and public be excluded for the following items as they**



were exempt by virtue of Paragraph 3 of Part 1 of Schedule 12a of the Local Government Act 1972 because they contained information relating to the financial or business affairs of any particular person (including the authority holding that information).

- 13 Confidential minutes of the last meeting**  
**RESOLVED** that the confidential minutes of the Buckinghamshire Pension Fund Committee held on 24 November 2023, be approved as a correct record.
- 14 Buckinghamshire Pension Fund Board Confidential Draft Minutes**  
**RESOLVED** that the confidential minutes of the Buckinghamshire Pension Fund Board meeting held on 13 December 2023, be noted.
- 15 Investment Strategy Review**  
The Committee received a report which reviewed the ongoing suitability of the Fund's investment strategy in light of the preliminary results of the 31 March 2022 actuarial valuation. Following discussion some further remodelling would be undertaken for discussion at the next meeting.  
**RESOLVED** that the report be noted.
- 16 Brunel Pension Partnership Update**  
The Committee received Brunel Pension Partnership's Climate Change Policy 2023 – 2030, which was a five-point plan which was fit for a low carbon future.  
**RESOLVED** that the Brunel Pension Partnership Update be noted.
- 17 Pension Fund Risk Register**  
The Risk Register identified the key risks to the Pension Fund and was reviewed periodically by the Pension Fund Committee and the Pension Fund Board. The last Committee review took place on 29 September 2022.  
**RESOLVED** that the Risk Register for the Pension Fund be noted.
- 18 Pension Fund Performance**  
The Committee received the report from the Pensions and Investments Manager.  
**RESOLVED** that the investment performance of the Pension Fund for the fourth quarter of 2022, ending 31st December 2022 be noted.
- 19 Date of the next meeting**  
5 July 2023 at 1pm.

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## Pension Fund Board minutes

Minutes of the meeting of the Pension Fund Board held on Wednesday 29 March 2023 in MS Teams, commencing at 10.02 am and concluding at 11.43 am.

### Members present

B Black, P Dearden, R Ellis, T Pearce, A Rulton, I Thompson and J Whiteley

### Others in attendance

J Edwards, K Farooqi, C Lewis-Smith, M Preston and S Price

### Agenda Item

#### 1 Apologies / Declarations of interest

There were no apologies.

A declaration of interest was reported from T Pearce who was potentially affected by the £95k exit cap.

#### 2 Minutes of the Pension Fund Board

Matters arising from the previous Board meeting:

S Price confirmed a meeting would take place with other LGPS providers on 20<sup>th</sup> April where the issue of an increasing number of appeals from claims management companies would be raised. The Board would be updated at the July meeting on the outcome.

It was highlighted an auditor would attend the Pension Fund Committee in July. The auditor attended the Audit and Governance Committee on 29<sup>th</sup> March to discuss the Pension Fund accounts and the Council's annual accounts. There were two outstanding queries relating to the Pension Fund accounts. Feedback from the auditor would be provided to the Board in due course.

A report on the number of scheme members who have chosen the 50/50 option or opted out was provided in agenda item 10.

**RESOLVED Members of the Board AGREED the minutes of the Pension Fund Board held 13 December 2022.**

### **3 Minutes of Pension Fund Committee**

The Chairman highlighted they could update the Board on the External Audit Plan and Triennial plan as they attended the Pension Fund Committee in March. The funding draft statement would be covered at the October Board meeting.

It was commented that the Chairman of the Pension Fund Committee issued a statement on investment transparency and response protocol for the Committee. These were in line with Council and statutory guidelines.

**RESOLVED Members of the Board NOTED the minutes of the Pension Fund Committee held 21 March 2022.**

### **4 Scheme member and employer communications**

M Da Costa, LGPS Technical Officer, Buckinghamshire Council provided an update on scheme member and employer communications. The report highlighted a summary of the key projects and communications undertaken. Projects included the employer's triennial evaluation strategy and the creation of the new LGPS and Buckinghamshire Council microsite.

A member of the Board highlighted they had difficulty in accessing newsletters via My Pension Online with pdf attachments not opening correctly. Further details were requested which could be passed on to the systems team for investigation. Due to the system migration the links for documents could appear broken however, these would be fixed. The team were looking at different ways of distributing newsletters to promote engagement and track views. There was the potential to access newsletters without needing to log into My Pension Online. The In-Touch pensioner's newsletter which would be sent out this week can be accessed without logging in and the team will track engagement.

The team were commended for the improved format and layout of the website which made it more user friendly.

A member of the Board queried how the team could encourage more people to attend webinars given the feedback from those who attended was excellent. It was highlighted occasionally emails regarding webinars did not reach the correct contact via the distribution list. Surveys were issued to ask employers about the content they wanted for webinars and the last survey received 87 respondents which was an increase in engagement.

There would be further discussions with school trusts and forums to promote engagement with LEAs.

It was advised the distribution list had over 500 contacts and read receipts were attached to emails to assist with chasing up responses. It was highlighted the team were working with employers to identify any issues which prevented them from attending webinars however attendance was not mandatory.

There was a typo on page 13 point 2.6 relating to the migration project which should read 2022. In relation to point 2.9 new employees attending webinars it was asked if there were fewer new joiners or if people actively choose not to attend. It was highlighted the team check who attends webinars and were aware some employers promoted attendance better than others. There would be further work with employers to promote the sessions. Hopefully the benefits of query reduction due to employees attending the webinars would encourage greater webinar promotion by employers.

The Chairman congratulated the team for their hard work.

**RESOLVED Members of the Board noted the update.**

## **5 i-Connect/Pensions 'Online' Update**

S Price Assistant Pensions Administration Manager, Buckinghamshire Council, referred the report circulated with the agenda.

The following points on My Pensions Online were highlighted:

- Overall 40% of members were fully registered to use My Pension Online. This included a 2% increase from October 2022.
- The preferred method of communication for newsletters, letters and statements was My Pension online. The annual project to capture and contact partially registered members was underway. Going forward, this exercise will take place monthly.
- Developments to Heywood software will improve My Pension Online and once live this would be communicated to scheme members. There would be a new user friendly look to the portal, improved registration process, two step log in for increased security and a streamlined process for scheme members to change bank account details. It was anticipated the changes would be live over the next few months.
- There was a trend for opt outs of My Pension Online to increase in May following the pensioner newsletter being issued, due to some wishing to receive paper copies of their P60s. It was hoped there would not be a substantial increase in opt outs this year As issuing P60's via My Pension Online has now been in place for 2 years.

It was suggested by Board that it could be a good opportunity to highlight a feature on pensions, benefits and tax changes at the next Buckinghamshire Council all staff briefing. The information would need to be disseminated to all scheme employers. Madelena Da Costa to take forward.

A member of the Board requested comparative data on the ages of My Pension Online users in reports going forward. S Price confirmed this would be included on future reports and highlighted there were a higher

number of members aged 55-65 registered.

It was confirmed opt out figures related to members opting out of My Pension Online and not the pension scheme. The newsletter advised members P60s and payslips would be issued online instead of paper copies which prompted certain members to opt out.

The following update on i-Connect was provided:

- The i-Connect employer on-boarding project was completed. The project had made significant progress within the last three to four years with the largest employers and schools payroll providers onboarded and submitting data on a monthly basis.
- There were only two employers who were not on-boarded as they were newly admitted bodies. There was 100% of employers live on i-Connect.
- The second phase of the project was to ensure employers and payroll providers submitted data on a monthly basis via i-Connect. This would allow the team to check and reconcile any queries with the data on a monthly basis rather than in bulk at the year end.

Due to the success of on boarding all employers It was decided that i-Connect would not be a separate agenda item. Instead an update on i-Connect would be included under the administration performance agenda item going forward.

**RESOLVED Members of the Board noted the update.**

## **6 Annual Review of Buckinghamshire Pension Board**

C Lewis Smith, Pensions Administration Manager, Buckinghamshire Council provided an update on the Annual Review of the Pension Board.

The Annual Review of the Board took into account all the work the Board had undertaken for 2022/23. Anna Rulton joined the Board as the new Employer Representative replacing Lisa Wheaton. The recruitment process was underway to replace Joe McGovern as Member Representative.

The report detailed the training opportunities undertaken by Board Members. It was highlighted Anna Rulton had completed the TPO toolkit training prior to the meeting.

The items for discussion section highlighted the many different areas which Board had considered over the past year. The appendix in the agenda pack would be included in the annual report alongside the Chairman's report.

The Chairman welcomed Anna Rulton to the Board. They reminded Board members to check the TPR (The Pensions Regulator) training website for refresher information. It was confirmed Peter Dearden would be mentioned instead of Pete Dearden in the report.

The Chairman requested the wording on page 34 of the appendix be rephrased to pension fund performance and implementation of the Brunel Pension Partnership. In addition, further clarification of the preparation for the McCloud judgement implementation was required.

**Action: C Lewis Smith**

**RESOLVED Members of the Board noted the update.**

## **7 Administration Policy Updates**

C Lewis Smith, Pensions Administration Manager, Buckinghamshire Council provided an update on administration policy.

The following points were highlighted:

- The governance compliance statement was reviewed annually and presented to the Pension Fund Committee for approval.
- The 2022/23 statement was agreed at the Committee in March subject to minor changes. The wording on the pension funding strategy charging schedule would include a caveat that £50 penalty per occurrence was a minimum charge and further charges would be incurred depending on the officer time involved.
- The Governance Compliance Statement was updated to reflect the change in date and legislation. There was also a change to Mark Preston's job title. There were no substantial changes to the document.
- The changes to the Administering Authority Discretionary Policy were highlighted in appendix two in the agenda pack. The fund will reduce the time limit which members must give notice to withdraw certain benefits. Due to the current economic climate if members request payments are expedited the fund can reduce this time limit in exceptional circumstances. In addition, where appropriate the fund will allow members to trivially commute their pension. The list of acceptable evidential documentation which dependents could provide in the event of a pensioner death was extended.
- A caveat was added to the Pension Administration Strategy charging schedule. The failure of employers to provide Buckinghamshire Council with McCloud remedial data was clarified by the Local Government Association. Scheme employers must keep employee pension data for a longer retention period to cover 13 years of McCloud data. Scheme employers cannot refuse to pay to obtain members data as they should be retaining this data themselves. There was also provision to charge scheme employers who fail to provide accurate data within the deadlines. Charges were the last resort after training had been offered and meetings with the Employer Liaison Officer.
- The Communications Policy Statement had been amended to state digital

channels would be the preferred method for communications.

**RESOLVED Members of the Board noted the update.**

**8 Forward Plan**

The meeting dates for the next year would be circulated by K Farooqi after the meeting.

There was a typo on the July forward plan the Annual Audit 2022/23 report and Annual Accounts 2020/21.

It was highlighted the Annual Accounts for 2020/21 would be formally signed off before the 2021/22 accounts. The Pension Fund accounts could not be signed off before Buckinghamshire Council's 2020/21 accounts were. There had been changes to audit requirements with new information and checks required which had delayed the process.

**9 Annual Benefit Statements - Administration Year End Update**

S Price Assistant Pensions Administration Manager, Buckinghamshire Council, referred the report circulated with the agenda.

The following points were highlighted:

- 99.89% of annual benefit statements were issued by 31<sup>st</sup> August 2022. There were 40 outstanding queries reported at the last Board meeting. These queries have been resolved and statements were issued where appropriate.
- There were no outstanding queries and records were as accurate as possible. Preparation was underway for the 2022/23 year end process with employers submitting March data via i-Connect.

A member of the Board commended the team for their hard work and highlighted the importance of i-Connect and monthly data submissions from employers to keep the number of queries low. Previously a large volume of queries were sent at the end of the year which created a large workload for the team.

**RESOLVED Members of the Board noted the update.**

**10 Administration performance statistics**

S Price, Assistant Pensions Administration Manager, Buckinghamshire Council, referred the report circulated with the agenda.

The following points were highlighted:

- The team were dealing with incoming communications consistently within the target turnaround times. Queries were dealt with and the relevant workflows initiated on the day of receipt.
- There were four Member Liaison Officers in the team who dealt with incoming phone calls. The target was to answer 95% of calls with a queue time less than 40 seconds. The team were averaging answering 99% of calls



within 18 seconds. An external benchmarking company reported their clients answered 86% of calls with an average queue time of 194 seconds. This highlighted the team were excelling in this area with scheme members happy they were responded to quickly.

- Workloads and target levels are reviewed annually to ensure they are being achieved. The AVCs at retirement cases were being dealt with in line with target performance. There was a concern that these were low volume and time consuming cases which can go overdue and skew the statistics.
- There would be a report to breakdown open cases on a monthly basis. External cases were where the team were awaiting information from the scheme member or employer. The total number of open cases had reduced due to the change in procedures and the roll out of i-Connect. For example, the team were able to process scheme leavers quicker than beforehand.
- There will be a focus on reducing the overdue cases. Whilst the officers have little control over delays due to external causes, every effort would be made to ensure internal delays are resolved asap.
- The report also featured statistics relating to employers submitting data to i-Connect by the 19<sup>th</sup> of each month. The aim was for 100% of employers to submit this in time, this was currently at 91%. As i-Connect was a new process especially for new employers some had queries and submitted data a few days late.
- There were 9866 queries generated as a result of i-Connect submissions with 93% resolved within the 30-day target.
- There had not been a large increase in scheme member movement and this was not an area for concern. The website would be updated to highlight the benefits of the LGPS to members.

A member of the Board highlighted the upcoming tax changes could see more members re-joining the main scheme. It was advised this was to be expected alongside members reverting back from the 50/50 option. Officer would monitor if members would opt back in post pension tax changes.

The Chairman highlighted the importance of i-Connect in allowing the team to resolve queries earlier without having to undertake data cleansing.

**RESOLVED Members of the Board noted the update.**

**11 Exclusion of Press and Public**

**12 Administration performance statistics - Confidential Appendix  
RESOLVED Members of the Board noted the update.**

**13 Confidential minutes of Pension Fund Board  
RESOLVED Members of the Board AGREED the confidential minutes of the Pension Fund Board held 13 December 2022.**

- 14 Confidential minutes of Pension Fund Committee**  
**RESOLVED Members of the Board NOTED the confidential minutes of the Pension Fund Committee held 21 March 2022.**
- 15 Pension Fund Performance**  
**RESOLVED Members of the Board noted the update.**
- 16 Date of next meeting**  
19 July 2023 10am at Buckinghamshire Council, The Gateway, Gatehouse Road, Aylesbury HP19 8FF.

It was highlighted there were no updates on the McCloud consultation. The pensions dashboard had been delayed from September 2024. Parliament would need to legislate to extend the timescales for the project delivery.

On 9 March 2023, the Department for Levelling Up, Housing and Communities (DLUHC) laid the LGPS (Amendment) Regulations 2023 ('the regulations'). The regulations move the annual revaluation date from 1 April to 6 April. The regulations are effective from 31 March 2023. The regulations remove the impact of inflation on the annual allowance calculation. They do so by changing the annual revaluation date from 1 to 6 April 2023, and thereafter on each 6 April, for all members. The Scheme year is not changing, it remains 1 April to 31 March. The revaluation that applies on 6 April applies on the CARE balance at 31 March in the previous Scheme year.

C Lewis Smith highlighted she would respond to a knowledge and skills survey received by the LGA on behalf of the Board. Members were advised to contact C Lewis Smith with any comments to be included.

The Chairman queried if there were administration issues with Prudential and Scottish Widow AVCs. It was highlighted there was an item on AVCs at the next Board meeting. There were no major administration issues reported and there was a limited number of members with these providers.



## Report to Pension Fund Committee

**Date:** 5<sup>th</sup> July 2023

**Reference number:** N/A

**Title:** Buckinghamshire Pension Fund Accounts to 31<sup>st</sup> March 2022

**Relevant councillor(s):** N/A

**Author and/or contact officer:** Julie Edwards, Pensions & Investments Manager

**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.

### 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 31<sup>st</sup> March 2022 the value of the Buckinghamshire 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. Grant Thornton anticipates issuing an unqualified audit report opinion.

### Content of report

1.2 The Pension Fund Accounts and Net Assets Statement show that in the year to 31<sup>st</sup> 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.

| <b>31 March 2021</b> |                                       | <b>31 March 2022</b> |
|----------------------|---------------------------------------|----------------------|
| <b>£000</b>          |                                       | <b>£000</b>          |
| <b>(2,913,700)</b>   | <b>Value 1st April</b>                | <b>(3,638,265)</b>   |
| (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)            |
| <b>(3,638,265)</b>   | <b>Value 31st March</b>               | <b>(3,913,161)</b>   |

1.4 The draft Audit Findings Report for the Buckinghamshire Pension Fund for the year ended 31<sup>st</sup> 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.

1.5 The formal sign off for the Pension Fund accounts will take place at the same time as the formal sign off for Buckinghamshire Council's accounts which is anticipated to be during 2024. On 10<sup>th</sup> May 2023 the Audit and Governance Committee approved the Buckinghamshire Pension Fund Statement of Accounts 2021/22 and delegated final sign off of the Statement of Accounts to the Chairman of Audit and Governance Committee and the S151 Officer subject to:

- No material changes in the accounts.
- Final sign off by the external auditors of Buckinghamshire Council accounts 2021/22.
- And, subject to the Pension Fund Committee endorsing management's proposed treatment of not adjusting the Statement of Accounts to reflect the £2.623m overstatement.

1.6 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 31<sup>st</sup> March 2022 is attached as Appendix 3.

- 1.7 The investment management expenses are recognised in the Statement of Accounts by journalling the total investment management expenses for each portfolio less the investment management expenses recognised in the Statement of Accounts from the custodian investment accounting information. A formula had been overwritten with a hard coded amount which resulted in an error in the investment management fees of £452k.
- 1.8 The audit work identified an issue in respect of the valuation of Level 3 investments. The 31<sup>st</sup> March 2022 value in the accounts was overstated by £2.623m compared to the value in the 31<sup>st</sup> March 2022 capital statements. The capital statements are provided by the investment managers quarterly in arrears. The 31<sup>st</sup> March value in the accounts is based on the previous 31<sup>st</sup> December valuation adjusted for any payments to the fund or distributions received. There will always be a difference but the 31<sup>st</sup> 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 agreed to approve management's proposed treatment of not adjusting the Statement of Accounts to reflect the £2.623m overstatement, subject to the Pension Fund Committee endorsing this approach.

### **Other options considered**

- 1.9 Not applicable.

### **Legal and financial implications**

- 1.10 There are none arising directly from this report.

### **Corporate implications**

- 1.11 Not applicable.

### **Consultation and communication**

- 1.12 Not applicable.

### **Background Papers**

- 1.13 Not applicable.

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# Buckinghamshire Pension Fund

## Statement of Accounts

For the year ended 31 March 2022

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## 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.

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

## Net assets statement

| 31 March<br>2021 | Net Assets Statement   | Note | 31 March<br>2022 |
|------------------|--|------|------------------|
| £000             |  |      | £000             |
|                  |  |      |                  |
|                  | <b>Investments</b>   |      |                  |
| 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              |
|                  |  |      |                  |
| <b>3,628,709</b> | <b>Net Investments</b>   | 11   | <b>3,902,382</b> |
| <b>17,620</b>    | Current assets   | 15   | <b>15,225</b>    |
| <b>(8,064)</b>   | Current liabilities  | 15   | <b>(4,446)</b>   |
| <b>3,638,265</b> | <b>Net Assets of the Fund Available to Fund Benefits at 31 March</b> |      | <b>3,913,161</b> |

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 1/49<sup>th</sup>. 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](http://www.brunelpensionpartnership.org)

The following summarises the membership of the Fund:

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

### **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. | <p>The effects on the net pension liability of changes in individual assumptions can be measured. For instance:</p> <p>A 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £128m.</p> <p>A 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £9m.</p> <p>A one-year increase in assumed life expectancy would increase the liability by approximately £253m.</p> |

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

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

### Note 4 - Transfer Values

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

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.

| <b>2020/2021<br/>£000</b> | <b>Benefits Payable by Category</b>                       | <b>2021/2022<br/>£000</b> |
|---------------------------|---|---------------------------|
| 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                     |
| <b>121,280</b>            | <b>Total Benefits</b>                                     | <b>127,601</b>            |

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

**Note 6 - Payments to and on Account of Leavers**

| <b>2020/2021<br/>£000</b> | <b>Payments to and on Account of Leavers</b>       | <b>2021/2022<br/>£000</b> |
|---------------------------|--|---------------------------|
| 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                    |
| <b>18,959</b>             | <b>Total Payments to and on Account of Leavers</b> | <b>16,708</b>             |

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**

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

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.

| <b>2020/2021</b> | <b>Investment Income</b>         | <b>2021/2022</b> |
|------------------|----------------------------------|------------------|
| <b>£000</b>      |                                  | <b>£000</b>      |
| (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)              |
| <b>(23,079)</b>  | <b>Total Investment Income</b>   | <b>(14,719)</b>  |

## 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.

| <b>Investments<br/>(All values<br/>are shown<br/>£000)</b> | <b>Value at<br/>31 March<br/>2021<br/>£000</b> | <b>Purchases<br/>at Cost<br/>£000</b> | <b>Sales<br/>Proceeds<br/>£000</b> | <b>Realised<br/>Profit/<br/>(Loss)<br/>£000</b> | <b>Unrealised<br/>Profit/<br/>(Loss)<br/>£000</b> | <b>Value at<br/>31 March<br/>2022<br/>£000</b> |
|--|--|---------------------------------------|------------------------------------|---|---|--|
| 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  |
|  | <b>3,621,585</b>                               | <b>1,850,167</b>                      | <b>(1,822,873)</b>                 | <b>322,401</b>                                  | <b>(69,289)</b>                                   | <b>3,901,991</b>                               |
| Investment income due                                      | 7,124  |                                       |                                    |   |   | 391  |
|  | <b>3,628,709</b>                               |                                       |                                    |   |   | <b>3,902,382</b>                               |
|  |  |                                       |                                    |   |   |  |

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.

| <b>Investments<br/>(All values<br/>are shown<br/>£000)</b> | <b>Value at<br/>31 March<br/>2020<br/>£000</b> | <b>Purchases<br/>at Cost<br/>£000</b> | <b>Sales<br/>Proceeds<br/>£000</b> | <b>Realised<br/>Profit/<br/>(Loss)<br/>£000</b> | <b>Unrealised<br/>Profit/<br/>(Loss)<br/>£000</b> | <b>Value at<br/>31 March<br/>2021<br/>£000</b> |
|--|--|---------------------------------------|------------------------------------|---|---|--|
| 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   |
|  | <b>2,895,040</b>                               | <b>563,195</b>                        | <b>(519,958)</b>                   | <b>103,918</b>                                  | <b>579,388</b>                                    | <b>3,621,585</b>                               |
| Investment income due                                      | 7,873  |                                       |                                    |   |   | 7,124  |
|  | <b>2,902,913</b>                               |                                       |                                    |   |   | <b>3,628,709</b>                               |

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<br>31 March 2021<br>£000 | %          | Proportion of Fund<br>31 March 2022<br>£000 | %         |
|---|---|------------|---|-----------|
| <b>Investments managed by Brunel</b>                          |   |            |   |           |
| 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         |
| <b>Total Investments managed by Brunel</b>                    | <b>2,271,812</b>                            |            | <b>3,569,972</b>                            |           |
| <b>Investments managed by the Fund</b>                        |   |            |   |           |
| 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         |
| <b>Total Investments managed by the Fund</b>                  | <b>1,332,438</b>                            |            | <b>238,146</b>                              |           |
| <b>Total</b>  | <b>3,604,250</b>                            | <b>100</b> | <b>3,808,118</b>                            | <b>98</b> |



## Note 11 - Analysis of the Value of Investments

| 31 March 2021 £000 | Analysis of the Value of Investments      | 31 March 2022 £000 |
|--------------------|---|--------------------|
| <b>840</b>         | <b>Long Term Investments</b>              | <b>840</b>         |
|                    | <b>Bonds</b>                              |                    |
|                    | <b>Fixed Interest Securities</b>          |                    |
| 5,992              | Overseas public sector                    | 0                  |
| 307,521            | UK other                                  | 0                  |
| 73,455             | Overseas other                            | 0                  |
| <b>386,968</b>     | <b>Total Fixed Interest Securities</b>    | <b>0</b>           |
|                    | <b>Index-Linked Gilts</b>                 |                    |
| 85,851             | UK Index-linked gilts public sector       | 0                  |
| 7,297              | UK Index-linked gilts other               | 0                  |
| <b>93,148</b>      | <b>Total Index-Linked Gilts</b>           | <b>0</b>           |
| <b>480,116</b>     | <b>Total Bonds</b>                        | <b>0</b>           |
|                    | <b>Equities</b>                           |                    |
| 150                | UK quoted                                 | 141                |
| 25,488             | Overseas quoted                           | 154                |
| <b>25,638</b>      | <b>Total Equities</b>                     | <b>295</b>         |
|                    | <b>Pooled Investment Vehicles</b>         |                    |
| 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            |
| <b>2,858,278</b>   | <b>Total Pooled Investment vehicles</b>   | <b>3,525,017</b>   |
|                    | <b>Other</b>                              |                    |
| 213,051            | Property - unit trusts                    | 243,766            |
| 43,662             | Cash deposits – sterling and foreign cash | 132,073            |
| 7,124              | Investment Income receivable              | 391                |
| <b>263,837</b>     | <b>Total Other</b>                        | <b>376,230</b>     |
| <b>3,628,709</b>   | <b>Total Value of Investments</b>         | <b>3,902,382</b>   |

## 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<br>2021                            |   |   |                                 | 31 March<br>2022                            |   |  |
|---|---|---|---------------------------------|---|---|--|
| Fair value<br>through<br>profit and<br>loss | Financial<br>Assets at<br>Amortised<br>Cost | Financial<br>Liabilities<br>at<br>Amortised<br>Cost | Financial Assets                | Fair value<br>through<br>profit and<br>loss | Financial<br>Assets at<br>Amortised<br>Cost | Financial<br>Liabilities at<br>amortised<br>cost |
| £000  | £000  | £000  |                                 | £000  | £000  | £000   |
| <b>840</b>                                  |   |   | <b>Long Term Investments</b>    | <b>840</b>                                  |   |  |
| 386,968                                     |   |   | Fixed Interest Securities       | 0   |   |  |
| 25,638                                      |   |   | Equities                        | 295   |   |  |
| 93,149                                      |   |   | Index Linked gilts              | 0   |   |  |
| 213,051                                     |   |   | Property – unit trusts          | 243,766                                     |   |  |
|   |   |   | <b>Pooled investments:</b>      |   |   |  |
| 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<br>receivable | 391   |   |  |
| 29,682                                      | 13,980                                      |   | Cash deposits                   | 111,285                                     | 20,788                                      |  |
|   | 4,814                                       |   | Current assets                  |   | 5,214                                       |  |
| <b>3,614,730</b>                            | <b>18,794</b>                               |   |                                 | <b>3,881,594</b>                            | <b>26,002</b>                               |  |
|   |   |   | <b>Financial Liabilities</b>    |   |   |  |
|   |   | (6,920)   | Current liabilities             |   |   | (3,247)  |
|   |   | <b>(6,920)</b>                                      |                                 |   |   | <b>(3,247)</b>                                   |
| <b>3,614,730</b>                            | <b>18,794</b>                               | <b>(6,920)</b>                                      | <b>Total</b>                    | <b>3,881,594</b>                            | <b>26,002</b>                               | <b>(3,247)</b>                                   |
|   |   | <b>3,626,604</b>                                    |                                 |   |   | <b>3,904,349</b>                                 |

| 31 March 2021<br>£000 | Reconciliation to Net Assets of the Fund Available to Fund Benefits at 31 March in the Net Assets Statement | 31 March 2022<br>£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                 |
| <b>3,626,604</b>      | <b>Valuation of Financial Instruments carried at fair value</b>   | <b>3,904,349</b>      |

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

| 31 March 2021<br>£000 |  | 31 March 2022<br>£000 |
|-----------------------|--|-----------------------|
|                       | <b>Financial Assets</b>                          |                       |
| (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                     |
|                       |  |                       |
|                       | <b>Financial Liabilities</b>                     |                       |
| 0                     | Fair value through profit and loss               | 0                     |
| 0                     | Financial Assets measured at amortised cost      | 0                     |
| 0                     | Financial liabilities measured at amortised cost | 0                     |
| <b>(683,306)</b>      | <b>Total</b>                                     | <b>(253,112)</b>      |

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:

| <b>Value at 31 March 2022</b> | <b>Quoted<br/>Market Price<br/>Level 1<br/>£000</b> | <b>Using<br/>Observable<br/>Inputs<br/>Level 2<br/>£000</b> | <b>With Significant<br/>Unobservable<br/>Outputs<br/>Level 3<br/>£000</b> | <b>Total £000</b> |
|-------------------------------|---|---|---|-------------------|
| 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           |
| <b>Total</b>                  | <b>295</b>  | <b>3,580,447</b>  | <b>300,461</b>  | <b>3,881,203</b>  |

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.

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

| <b>Value at 31 March 2021</b> | <b>Quoted<br/>Market Price<br/>Level 1<br/>£000</b> | <b>Using<br/>Observable<br/>Inputs<br/>Level 2<br/>£000</b> | <b>With Significant<br/>Unobservable<br/>Outputs<br/>Level 3<br/>£000</b> | <b>Total £000</b> |
|-------------------------------|---|---|---|-------------------|
| 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            |
| <b>Total</b>                  | <b>326</b>  | <b>3,439,816</b>  | <b>167,464</b>  | <b>3,607,606</b>  |

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

## 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                  |
| <b>Total</b>           |                                | <b>299,621</b>              | <b>365,033</b>         | <b>234,209</b>         |

|                | 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                 |
| <b>Total</b>   |                                | <b>166,602</b>              | <b>205,460</b>         | <b>127,744</b>         |

## 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                       |
|   | <b>166,627</b>              | <b>134,369</b> | <b>(44,045)</b> | <b>32,327</b>               | <b>10,343</b>                 | <b>299,621</b>              |

|                | 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                      |

|              |                |               |                 |               |                 |                |
|--------------|----------------|---------------|-----------------|---------------|-----------------|----------------|
| <b>Total</b> | <b>153,445</b> | <b>59,459</b> | <b>(53,876)</b> | <b>23,619</b> | <b>(16,045)</b> | <b>166,602</b> |
|--------------|----------------|---------------|-----------------|---------------|-----------------|----------------|

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<br>£000 | Percentage<br>Change % | Value on<br>increase £000 | Value on<br>decrease<br>£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                          |
| <b>Total</b>                 | <b>3,902,382</b>      |                        | <b>4,490,337</b>          | <b>3,314,427</b>             |

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<br>£000 | Percentage<br>Change % | Value on<br>increase £000 | Value on<br>decrease<br>£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                        |
| <b>Total</b>                 | <b>3,628,709</b>      |                        | <b>4,165,978</b>          | <b>3,091,440</b>             |

## 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 31<sup>st</sup> March.

| <b>31 March 2022 Exposure to interest rate risk</b> | <b>Asset Value<br/>£000</b> | <b>Value after impact<br/>of 1% increase in<br/>interest rates £000</b> | <b>Value after impact<br/>of 1% decrease in<br/>interest rates £000</b> |
|---|-----------------------------|---|---|
| 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   |
| <b>Total</b>  | <b>1,055,644</b>            | <b>1,060,977</b>  | <b>1,050,311</b>  |

| <b>31 March 2021 Exposure to interest rate risk</b> | <b>Asset Value<br/>£000</b> | <b>Value after impact<br/>of 1% increase in<br/>interest rates £000</b> | <b>Value after impact<br/>of 1% decrease in<br/>interest rates £000</b> |
|---|-----------------------------|---|---|
| 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  |
| <b>Total</b>  | <b>526,665</b>              | <b>530,535</b>  | <b>522,795</b>  |

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

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

| 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                      |
| <b>Total</b>                             | <b>15,594</b>            | <b>15,751</b>              | <b>15,437</b>              |

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 |
|---------------------------------|--------------------|------------------------|------------------------|
|                                 |                    | <b>+7.56%</b>          | <b>-7.56%</b>          |
| 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                 |
| <b>Total</b>                    | <b>2,090,181</b>   | <b>2,248,200</b>       | <b>1,932,162</b>       |

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 |
|---------------------------------|--------------------|------------------------|------------------------|
|                                 |                    | <b>+7.92%</b>          | <b>-7.92%</b>          |
| 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                 |
| <b>Total</b>                    | <b>2,045,703</b>   | <b>2,207,723</b>       | <b>1,883,683</b>       |

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            | <b>8.25%</b>        | 117,784                | 99,830                 |
| <b>Total</b> | <b>1,690,176</b>   |                     | <b>1,817,783</b>       | <b>1,562,569</b>       |

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                |
| <b>Total</b> | <b>1,598,968</b>   |                     | <b>1,725,120</b>       | <b>1,472,817</b>       |

## 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;

| <b>31 March 2021</b><br><b>£000</b> |                                | <b>31 March 2022</b><br><b>£000</b> |
|-------------------------------------|--------------------------------|-------------------------------------|
| 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                               |
| <b>567,386</b>                      |                                | <b>542,483</b>                      |



## 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          |
|               | <b>Current Assets</b>                                     |               |
| 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         |
| <b>17,620</b> | <b>Total Current Assets</b>                               | <b>15,225</b> |

|                | 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)        |
| <b>(8,064)</b> | <b>Total Current Liabilities</b> | <b>(4,446)</b> |
| <b>9,556</b>   | <b>Net Current Assets</b>        | <b>10,779</b>  |

**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.

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

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

| <b>31 March 2021</b> |                   | <b>31 March 2022</b> |
|----------------------|-------------------|----------------------|
| 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. Pension 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 |
|-------------------------------------|---------------|---------------|
| <b>Retiring today</b>               |               |               |
| Males                               | 21.6          | 21.6          |
| Females                             | 25.0          | 25.0          |
| <b>Retiring in 20 years</b>         |               |               |
| 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 | 31 March 2022 |
|---|---------------|---------------|
|   | £000          | £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 VII Limited               | 1,057         | 1,097         |
| Pantheon USA Fund VIII 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 VI 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            |
|   | <b>612,900</b> | <b>1,031,260</b> |

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.

| <b>2020/2021<br/>£000</b> | <b>Prudential</b>                            | <b>2021/2022<br/>£000</b> |
|---------------------------|--|---------------------------|
| 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)                     |
| <b>5,006</b>              | <b>Value of AVC fund at year end</b>         | <b>5,492</b>              |

| <b>2020/2021<br/>£000</b> | <b>Scottish Widows</b>                       | <b>2021/2022<br/>£000</b> |
|---------------------------|--|---------------------------|
| 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)                     |
| <b>2,157</b>              | <b>Value of AVC fund at year end</b>         | <b>2,060</b>              |



**Note 21 - List of Scheduled and Admitted Bodies****Scheduled Bodies**

|  |  |
|--|--|
| Buckinghamshire Council                  | Mentmore Parish Council                        |
| Buckinghamshire Fire and Rescue Service  | New Bradwell Parish Council                    |
| Chiltern Crematorium                     | Newport Pagnell Town Council                   |
| <b>Chilterns Conservation Board</b>      | Newton Longville Parish Council                |
| Thames Valley Police                     | Olney Town Council                             |
| Milton Keynes Council                    | Penn Parish Council                            |
| Milton Keynes Development Partnership    | Piddington & Wheeler End Parish Council        |
| PCC for Thames Valley                    | Princes Risborough Town Council                |
|  | Shenley Brook End and Tattenhoe Parish Council |
| Amersham Town Council                    | Shenley Church End Parish Council              |
| Aston Clinton Parish Council             | Slapton Parish Council                         |
| Aylesbury Town Council                   | Stantonbury Parish Council                     |
| Beaconsfield Town Council                | Stony Stratford Town Council                   |
| Bletchley & Fenny Stratford Town Council | Taplow Parish Council                          |
| Bow Brickhill Parish Council             | Waddesdon Parish Council                       |
| Bradwell Parish Council                  | Wendover Parish Council                        |
| Broughton & Milton Keynes Parish Council | West Bletchley Town Council                    |
| Buckingham Park Parish Council           | West Wycombe Parish Council                    |
| Buckingham Town Council                  | Weston Turville Parish Council                 |
| Burnham Parish Council                   | Winslow Town Council                           |
| Campbell Park Parish Council             | Woburn Sands Town Council                      |
| Chalfont St Giles Parish Council         | Wolverton & Greenleys Town Council             |
| Chepping Wycombe Parish Council          | Wooburn & Bourne End Parish Council            |
| Chesham Bois Parish Council              | Woughton Community Council                     |
| Chesham Town Council                     |  |
| Coldharbour Parish Council               | Abbey View Primary School                      |
| Coleshill Parish Council                 | Alfriston School                               |
| Downley Parish Council                   | Amersham School                                |
| Gerrards Cross Parish Council            | Ashbrook School                                |
| Great Missenden Parish Council           | Aspire Schools                                 |
| Hambleden Parish Council                 | Aylesbury College                              |
| Hanslope Parish Council                  | Aylesbury Grammar School                       |
| Hazlemere Parish Council                 | Aylesbury High School                          |
| Hughenden Parish Council                 | Aylesbury Vale Academy                         |
| Iver Parish Council                      | Beaconsfield High School                       |
| Ivinghoe Parish Council                  | Bearbrook Combined & Pre-school                |
| Kents Hill & Monkston Parish Council     | Bedgrove Infant School                         |
| Lacey Green Parish Council               | Bedgrove Junior School                         |
| Lane End Parish Council                  | Beechview Academy                              |
| Little Marlow Parish Council             | Bourne End Academy                             |
| Little Missenden Parish Council          | Bourton Meadow Academy                         |
| Longwick-cum-Ilmer Parish Council        | Bridge Academy                                 |
| Loughton & Great Holm Parish Council     | Brill CofE Combined School                     |
| Marlow Bottom Parish Council             | Brookmead School                               |
| Marlow Town Council                      | Brooksward School                              |

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

#### 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

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

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



# The Audit Findings for Buckinghamshire Pension Fund

Year ended 31 March 2022



# Contents



## Your key Grant Thornton team members are:

### Mark Stocks

Key Audit Partner

T 0121 232 5437

E mark.s.stocks@uk.gt.com

### Sheena Phillips

Senior Manager

T 020 7865 2694

E Sheena.S.Phillips@uk.gt.com

### Vishal Patel

In Charge Auditor

T 020 7383 5100

E vishal.patel@uk.gt.com

## Section

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2. Financial statements
3. Independence and ethics

## Appendices

- A. Action plan
- B. Follow up of prior year recommendations
- C. Audit adjustments
- D. Fees

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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.

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# 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.

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## Financial Statements

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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.

## 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 received did not tie up to the disclosures in the accounts. We had to spend considerable time than we have 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   |
|--|--|
| <p><b>Management override of controls</b></p> <p>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.</p> <p>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.</p> | <p>We have:</p> <ul style="list-style-type: none"> <li>- evaluated the design effectiveness of management controls over journals</li> <li>- analysed the journals listing and determined the criteria for selecting high risk unusual journals</li> <li>- identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration</li> <li>- gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness</li> </ul> <p>Our audit work has not identified any issues in respect of management override of controls.</p> |

## 2. Financial Statements - Significant risks

### 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.

#### 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

## Risks identified in our Audit Plan

### 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.

## Commentary

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 – overstatement £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       | <p>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.</p> <p>Management receive quarterly performance reports which are reviewed and subsequently presented to 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.</p> <p>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.</p> <p>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.</p> <p>We identified that assets were overstated by £2.6m.</p> | <p>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.</p> <p>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.</p> <p>Sensitivities disclosed in the notes to the accounts are reasonable and in line with the Code.</p> <p>The estimate is adequately disclosed in the financial statements.</p> <p>Our audit work has not identified any issues in respect of the valuation of Level 3 investments.</p> | <b>Light Purple</b> |

### 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

| Significant judgement or estimate           | Summary of management's approach   | Audit Comments  | Assessment          |
|---|--|---|---------------------|
| <p><b>Level 2 Investments – £3,580m</b></p> | <p>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</p> <p>Similar to the level 3 assets, Management receive quarterly performance reports which are reviewed and subsequently presented to 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.</p> <p>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.</p> <p>The value of the investment has increased by £141m in 2021/22 largely due to additional investments made during the year and the general recovery of financial markets following the Covid-19 pandemic.</p> | <p>Our assessment of the estimate comprised:</p> <ul style="list-style-type: none"> <li>• reviewing year end valuation reports for the individual fund managers of the pooled investment vehicles</li> <li>• 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.</li> <li>• agreeing investment unit prices or valuations to reports from the custodian and fund managers and the audited accounts for that asset .</li> <li>• testing observable inputs to appropriate and recognised sources where available.</li> <li>• for investments where there were no observable inputs, we treated the fund managers as experts</li> </ul> <p>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.</p> <p>The estimate is adequately disclosed in the financial statements.</p> <p>Our audit work has not identified any issues in respect of the valuation of Level 2 investments.</p> | <p>Light Purple</p> |

## 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 | <p>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).</p> <p>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.</p> | 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



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| 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

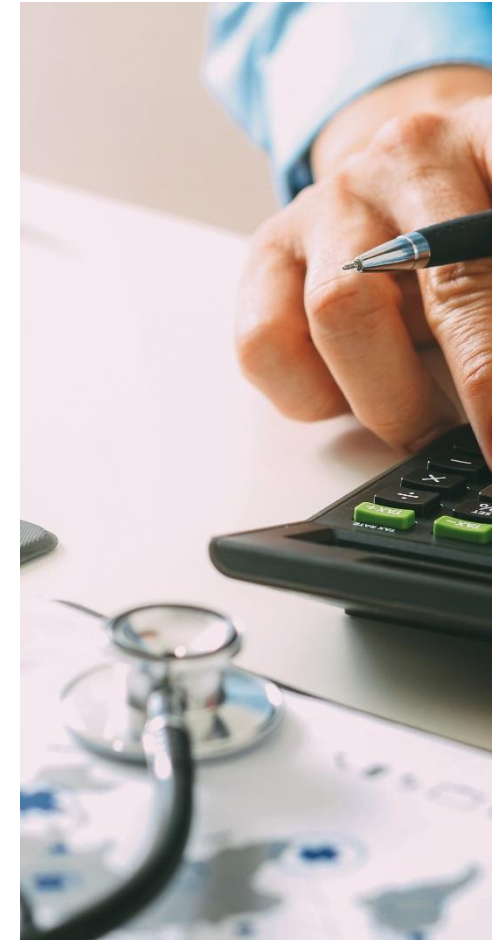
As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability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

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| Issue         | Commentary   |
|---------------|--|
| Going concern | <p>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:</p> <ul style="list-style-type: none"> <li>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</li> <li>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.</li> </ul> <p>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:</p> <ul style="list-style-type: none"> <li>the nature of the Pension Fund and the environment in which it operates</li> <li>the Pension Fund's financial reporting framework</li> <li>the Pension Fund's system of internal control for identifying events or conditions relevant to going concern</li> <li>management’s going concern assessment.</li> </ul> <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> <li>a material uncertainty related to going concern has not been identified</li> <li>management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul> |

## 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 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

# 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. | 7,000  | 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 £7,000 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       | <p><b>IT Deficiencies</b></p> <p><b>Inappropriate developer access to the production environment</b></p> <p><b>Allocation of SAP_ALL and SAP_NEW profiles to service and dialog accounts</b></p> <ul style="list-style-type: none"> <li>SAP_ALL profile had been allocated to 13 service accounts and 2 dialog accounts.</li> <li>SAP_NEW profile has been allocated to 9 service accounts and one dialog account.</li> </ul> <p><b>The standard SAP account DDIC has not been locked</b></p> <ul style="list-style-type: none"> <li>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.</li> </ul> <p><b>Inappropriate user access rights allocated to users and generic accounts</b></p> <ul style="list-style-type: none"> <li>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.</li> <li>21 users had been assigned the SU01 transaction code.</li> <li>22 users had been assigned the PFCG transaction code.</li> <li>The generic user account SAPSUPPORT had also been assigned the SU01 and PFCG transaction codes with an end date of 01/12/2021.</li> <li>The generic user account SAPSUPP had also been assigned the SU01 and PCFG transactions codes with an end date of 25/04/2021.</li> </ul> | <p>We recommend that management implement the recommendations made by the IT team in a timely manner as these are significant deficiencies.</p> <p><b>Management response</b><br/>TBC</p> |

## 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     | <p>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.</p> <p>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.</p> | <p>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</p> <p><b>Management response</b><br/>TBC</p>                   |
| Medium     | <p>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.</p> <p>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.</p>                               | <p>Management should have controls in place to ensure that Note 21 (List of admitted and scheduled bodies correctly reflects employer bodies which have joined or left pension fund during the year</p> <p><b>Management response</b><br/>TBC</p> |

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## 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  |
|----------------------|--|--|
| <p><b>Medium</b></p> | <p>Errors identified from member data controls testing</p> <ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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.</li> </ul> <p>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.</p> <p>The Pension fund also incorrectly classified an undecided leaver as leaver.</p> | <p>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.</p> <p><b>Management response</b><br/>TBC</p> |

## 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   |
|------------|---|--|
| ✓          | <p><b>Transaction listings</b></p> <p>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.</p> <p>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.</p> | <p><b>Management response</b></p> <p>Management reviewed and cleansed transaction listings of significant contra entries before they sent us the listings.</p> |

## 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.

## 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<br><br><b>Management response</b><br>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<br><br><b>Management response</b><br>This will be updated | ✓         |
| We identified 3 disclosure errors from our testing of changes in employer bodies who contribute to the pension fund. <ul style="list-style-type: none"> <li>Manor Far Junior School was incorrectly included as an admitted body in 21/22 when it actually became an admitted body in May 22</li> <li>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.</li> <li>The amendment of Statonbury Campus name was incorrectly replaced with Stantonbury International School. It which should have been Statonbury School.</li> </ul> | The audit team propose that the Pension Fund amend the disclosure errors in employer Bodies<br><br><b>Management response</b><br>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   | Auditor recommendations  | Adjusted? |
|---|--|-----------|
| <p>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</p> | <p>We recommend that management update this to show the correct percentage change in the Japanese Yen.</p> <p><b>Management response</b></p> <p>This will be updated</p> | <p>✓</p>  |

# 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<br>£'000 | Net Asset Statement<br>£' 000 | Impact on total net<br>assets £'000 | Reason for<br>not adjusting |
|---|-------------------------------|-------------------------------|-------------------------------------|-----------------------------|
| <ul style="list-style-type: none"> <li>Investment assets</li> <li>(Profit) and losses on disposal of investments and changes in value of investments</li> </ul>                             | 2,623                         | -2,623                        | -2,623                              | Not material                |
| 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. |                               |                               |                                     |                             |
| <b>Overall impact</b>   | <b>2,623</b>                  | <b>-£2,623</b>                | <b>-£2,633</b>                      |                             |

## Impact of prior year unadjusted misstatements

There were no unadjusted misstatements.

# D. Fees

We confirm below our final fees charged for the audit and confirm there were no fees for 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         |
| <b>Total audit fees (excluding VAT)</b>   | <b>£46,050</b> |

# D. Fees

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





## 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 Barnett 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 reflects 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 a 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 Pension Fund Committee

**Date:** 5<sup>th</sup> July 2023

**Reference number:** N/A

**Title:** Buckinghamshire Pension Fund Accounts to 31<sup>st</sup> March 2021

**Relevant councillor(s):** N/A

**Author and/or contact officer:** Julie Edwards, Pensions & Investments Manager

**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 2021.

### Executive Summary

1.1 The audited Statement of Accounts for the Buckinghamshire Pension Fund for the year ended 31 March 2021 is attached as Appendix 1. The Buckinghamshire Pension Fund Accounts and Net Assets Statement show that in the year to 31<sup>st</sup> March 2021 the value of the Buckinghamshire Pension Fund increased by £725m to £3.638bn. Grant Thornton have substantially completed the audit and they have not identified any adjustments to the financial statements that impact the Buckinghamshire Pension Fund's net asset position. Grant Thornton anticipates issuing an unqualified audit report opinion.

### Content of report

1.2 The Buckinghamshire Pension Fund Accounts and Net Assets Statement show that in the year to 31<sup>st</sup> March 2021 the value of the Pension Fund increased by £725m to £3.638bn. This is the net result of the contributions made (£177m) including transfers in from other pension schemes, employers' contributions and employees' contributions; payments out £140m including pensions, commutations, lump sum retirement benefit and death benefits; management expenses £18m plus net returns on investments (£725m).

1.3 The table below summarises the income, expenditure and returns on investments for the financial years 2019/20 and 2020/21.

| <b>31 March 2020</b> |                                       | <b>31 March 2021</b> |
|----------------------|---------------------------------------|----------------------|
| <b>£000</b>          |                                       | <b>£000</b>          |
| <b>(3,007,024)</b>   | <b>Value 1st April</b>                | <b>(2,913,700)</b>   |
| (129,176)            | Income                                | (176,790)            |
| 119,020              | Benefits                              | 121,280              |
| 10,189               | Payments to and on Account of Leavers | 18,959               |
| 16,474               | Management expenses                   | 18,371               |
| 76,817               | Returns on Investments                | (706,385)            |
| <b>(2,913,700)</b>   | <b>Value 31st March</b>               | <b>(3,638,265)</b>   |

1.4 The draft Audit Findings Report for the Buckinghamshire Pension Fund for the year ended 31<sup>st</sup> March 2021 is attached as Appendix 2. Grant Thornton have substantially completed the audit and they have not identified any adjustments to the financial statements that impact the Buckinghamshire Pension Fund's net asset position. Grant Thornton anticipates issuing an unqualified audit report opinion. The formal sign off for the Pension Fund Statement of Accounts will take place at the same time as the formal sign off for Buckinghamshire Council's Statement of Accounts which is anticipated to be during 2023. On the morning of the 5<sup>th</sup> July 2023 the Audit and Governance Committee is expected to approve the Buckinghamshire Pension Fund Statement of Accounts 2020/21 and delegated final sign off of the Statement of Accounts to the Chairman of Audit and Governance Committee and the S151 Officer subject to:

- No material changes in the accounts.
- Final sign off by the external auditors of Buckinghamshire Council accounts 2020/21.
- And, subject to the Pension Fund Committee endorsing management's proposed treatment of not adjusting the Statement of Accounts to reflect the potential £8.939m overstatement.

1.5 Most of the audit work took place during the summer of 2021. The audited accounts and the draft Audit Findings Report were presented to Pension Fund Committee and the Audit and Governance Committee on 7<sup>th</sup> September 2021 and 29<sup>th</sup> September 2021 respectively. Since September 2021 there has been some further work undertaken on Level 2 investments and further review of the audit working papers following a change of Audit Director. Level 2 investments are investments where quoted market prices are not available, the Financial Reporting Council (FRC) introduced additional audit requirements in 2022.

1.6 There are three main changes to the draft Audit Findings Report considered by Committee in September 2021:

- Page 10 significant judgement or estimate Level 2 investments £3,410m.
- Page 23 reclassification of cash in the current and prior period.
- And; Page 26 Note 3 - Contributions

1.7 Page 10 significant judgement or estimate Level 2 investments £3,410m - the Buckinghamshire Pension Fund has investments in a range of bonds, pooled investment vehicles and property unit trusts that in total are valued in the net assets statement as at 31<sup>st</sup> March 2021 at £3,410m. Grant Thornton's testing identified an overstatement of £2.21m in the value of the Brunel Smaller Companies fund as a result of differences in the share price used by Buckinghamshire Pension Fund and the share price recorded on FT.com. Grant Thornton estimated the potential error in the untested residual population as an overstatement of £6.72m, giving a total overstatement of £8.939m which has been recorded as an unadjusted error. It is expected that on the morning of the 5<sup>th</sup> July 2023 the Audit and Governance Committee agreed to approve management's proposed treatment of not adjusting the Statement of Accounts to reflect the £8.939m overstatement, subject to the Pension Fund Committee endorsing this approach.

1.8 Page 23 reclassification of cash in the current and prior period – in note 12, pages 22, 24 and 25 of the Buckinghamshire Pension Fund Statement of Accounts the Fund was erroneously classifying cash held in money market funds as a financial asset at amortised cost.

1.9 Page 26 Note 3 – Contributions – a footnote was added to explain the increase in employee contributions to note 3, pages 13 of the Buckinghamshire Pension Fund Statement of Accounts.

### **Other options considered**

1.10 Not applicable.

### **Legal and financial implications**

1.11 There are none arising directly from this report.

### **Corporate implications**

1.12 Not applicable.

### **Consultation and communication**

1.13 Not applicable.

## **Background Papers**

1.14 Not applicable.



# Buckinghamshire Pension Fund

## Statement of Accounts

For the year ended 31 March 2021

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## 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 2020/2021 (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 2021 gives a true and fair view of the financial position of the Council as at 31 March 2021 and its income and expenditure for the year ending 31 March 2021.

**David Skinner**  
**Service Director of Finance**  
**Buckinghamshire Council**

**Insert date**

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

## Buckinghamshire Pension Fund Accounts

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

| <b>31 March<br/>2020</b> | <b>Buckinghamshire Pension Fund Account</b>  | <b>Note</b> | <b>31 March<br/>2021</b> |
|--------------------------|--|-------------|--------------------------|
| <b>£000</b>              |  |             | <b>£000</b>              |
|                          | <b>Dealings with Members, Employers and Others directly Involved in the Fund</b>             |             |                          |
|                          | <b>Income</b>  |             |                          |
| (116,621)                | Contributions  | 3           | (152,299)                |
| (12,403)                 | Transfers in from other pension funds  | 4           | (24,293)                 |
| (152)                    | Other income   |             | (198)                    |
| <b>(129,176)</b>         |  |             | <b>(176,790)</b>         |
|                          | <b>Benefits</b>  | 5           |                          |
| 95,975                   | Pensions   |             | 100,311                  |
| 23,045                   | Commutation of pensions and lump sums  |             | 20,969                   |
|                          | <b>Payments to and on Account of Leavers</b>   | 6           |                          |
| 878                      | Refunds of contributions   |             | 590                      |
| 9,311                    | Transfers out to other pension funds   |             | 18,369                   |
| <b>129,209</b>           |  |             | <b>140,239</b>           |
| <b>33</b>                | <b>Net (Additions)/Withdrawals from Dealings with Members</b>                                |             | <b>(36,551)</b>          |
|                          | <b>Management expenses</b>   | 7           |                          |
| <b>16,474</b>            |  |             | <b>18,371</b>            |
| <b>16,507</b>            | <b>Net (Additions)/Withdrawals including Fund Management Expenses</b>                        |             | <b>(18,180)</b>          |
|                          | <b>Returns on Investments</b>  |             |                          |
| (40,527)                 | Investment income  | 8           | (23,079)                 |
| 116,993                  | Profits and losses on disposal of investments and changes in the market value of investments | 9           | (683,306)                |
| 351                      | Taxes on income  | 16          | 0                        |
| <b>76,817</b>            | <b>Net Returns on Investments</b>  |             | <b>(706,385)</b>         |
| <b>93,324</b>            | <b>Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year</b>      |             | <b>(724,565)</b>         |

## Net assets statement

| 31 March<br>2020<br>£000 | Net Assets Statement   | Note | 31 March<br>2021<br>£000 |
|--------------------------|--|------|--------------------------|
|                          | <b>Investments</b>   |      |                          |
| 840                      | Long term investments  | 9    | 840                      |
| 36,849                   | Equities - quoted  | 9    | 25,638                   |
| 421,714                  | Bonds  | 9    | 480,116                  |
| 2,160,297                | Pooled investment vehicles   | 9    | 2,858,278                |
| 213,484                  | Property - unit trusts   | 9    | 213,051                  |
| 61,856                   | Cash deposits  | 9    | 43,662                   |
|                          | Derivative contracts   | 9    | 0                        |
| 7,873                    | Investment income receivable   | 9    | 7,124                    |
| <b>2,902,913</b>         | <b>Net Investments</b>   | 11   | <b>3,628,709</b>         |
| <b>15,495</b>            | Current assets   | 15   | <b>17,620</b>            |
| <b>(4,708)</b>           | Current liabilities  | 15   | <b>(8,064)</b>           |
| <b>2,913,700</b>         | <b>Net Assets of the Fund Available to Fund Benefits at 31 March</b> |      | <b>3,638,265</b>         |

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 and Milton Keynes Fire Authority, 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 1/49<sup>th</sup>. 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 2021 the collective assets transitioned to Brunel portfolios were circa £17.9 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 by the end of 2021 the majority of the assets will have transitioned, although illiquid alternative assets such as private equity may need a longer transition timetable. More information and updates can be found on the Brunel Pension Partnership website at:

[www.brunelpensionpartnership.org](http://www.brunelpensionpartnership.org)

The following summarises the membership of the Fund:

| <b>Membership of the Fund</b>       | <b>31 March 2020</b> | <b>31 March 2021</b> |
|-------------------------------------|----------------------|----------------------|
| Contributors                        | 24,489               | 25,406               |
| Pensioners                          | 20,290               | 21,017               |
| Deferred pensioners                 | 29,936               | 30,881               |
| <b>Total Membership of the Fund</b> | <b>74,715</b>        | <b>77,304</b>        |

### 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 pension website.

[Funding and investment policies | Pensions \(buckinghamshire.gov.uk\)](#)

### Further information

The Council publishes a separate Annual Report on the Buckinghamshire 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 2020/21 financial year and its position at year end as at 31 March 2021. 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 Buckinghamshire 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 accruals 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 accruals 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 accruals basis. Administrative expenses are accounted for on an accruals 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**

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. 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.

### **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 accruals 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 or interest and principal take place on set dates and at specified amounts. The amount presented in the Net Asset Statement represents the outstanding principal received 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 and hedge fund of 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**

There are no critical judgements in applying accounting policies to be disclosed in the Statement of Accounts.

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

The preparation of financial statements requires management to make 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 2021 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:<br><br>A 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £129m.<br><br>A 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £10m a one-year increase in assumed life expectancy would increase the liability by approximately £256m. |
| Level 2 investments (Note 12)                                     | Level 2 investments are financial instruments where quoted market prices are not available. The values of the hedge fund of funds are based on the net asset value provided by the fund manager. Assurance over the valuation is gained from the independent audit of the value and may differ from the value provided by the fund manager.  | Hedge fund of fund investments are valued at £171.071m in the financial statements. There is a risk that this investment may be under or overstated in the accounts by £18.305m, a movement of 10.7% in market price risk is reasonably possible.  |
| Level 3 investments (Note 12)                                     | Level 3 investments are valued at fair value in accordance with 'International Private Equity and Venture Capital Valuation Guidelines'. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.  | Level 3 investments are valued at £167.467m in the financial statements. There is a risk that this investment may be under or overstated in the accounts by £39.022m. A movement of 23.3% in market price risk is reasonably possible.   |

### Events After the Reporting Date

There have been no events since 31 March 2021, and up to the date when these accounts were authorised that required 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 higher value than in these financial statements as at 31 March 2021.

**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 2021 have been included in these accounts, there were no augmented employers' contributions received during 2019/2020 or 2020/2021.

| 2019/2020<br>£000 | Contributions by Category             | 2020/2021<br>£000 |
|-------------------|---------------------------------------|-------------------|
|                   | <b>Employers' Contributions</b>       |                   |
| (64,063)          | Normal Contributions                  | (100,383)         |
| (20,524)          | Deficit Recovery Contributions        | (17,121)          |
| <b>(84,587)</b>   | <b>Total Employers' Contributions</b> | <b>(117,504)</b>  |
| <b>(32,034)</b>   | <b>Members' Contributions</b>         | <b>(34,795)</b>   |
| <b>(116,621)</b>  | <b>Total Contributions</b>            | <b>(152,299)</b>  |

| 2019/2020<br>£000 | Contributions by Authority  | 2020/2021<br>£000 |
|-------------------|-----------------------------|-------------------|
| (42,780)          | Administering authority     | (56,847)          |
| (69,752)          | Scheduled bodies            | (91,855)          |
| (4,089)           | Admitted bodies             | (3,597)           |
| <b>(116,621)</b>  | <b>*Total Contributions</b> | <b>(152,299)</b>  |

\*Total contributions can fluctuate between years due to employers making advanced payments due to the slight discount they receive in doing so.

## Note 4 - Transfer Values

| 2019/2020<br>£000 | Transfers in from other pension funds              | 2020/2021<br>£000 |
|-------------------|--|-------------------|
| (2,059)           | Group transfers                                    | (1,898)           |
| (10,344)          | Individual transfers                               | (22,395)          |
| <b>(12,403)</b>   | <b>Total Transfers in from other pension funds</b> | <b>(24,293)</b>   |

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 2021 there were six outstanding transfer values receivable greater than £50k, for which £763k had not been received. (On 31 March 2020 there were seven outstanding transfer values receivable greater than £50k, for which £1,211k had not been received).

On 31 March 2021 there were two group transfers to the Fund being negotiated with other funds (three on the 31 March 2020), the value of one of the transfers to the Fund is £1,095k and has been accrued. Calculations have not yet been carried out for one of the transfers.

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.

| 2019/2020<br>£000 | Benefits Payable by Category                              | 2020/2021<br>£000 |
|-------------------|---|-------------------|
| 95,975            | Pensions  | 100,311           |
| 20,532            | Commutations of pensions and lump sum retirement benefits | 18,220            |
| 2,513             | Lump sum death benefits                                   | 2,749             |
| <b>119,020</b>    | <b>Total Benefits</b>                                     | <b>121,280</b>    |

| 2019/2020<br>£000 | Benefits Payable by Authority | 2020/2021<br>£000 |
|-------------------|-------------------------------|-------------------|
| 41,916            | Administering authority       | 61,253            |
| 67,587            | Scheduled bodies              | 50,560            |
| 9,517             | Admitted bodies               | 9,467             |
| <b>119,020</b>    | <b>Total Benefits</b>         | <b>121,280</b>    |

## Note 6 - Payments to and on Account of Leavers

| 2019/2020<br>£000 | Payments to and on Account of Leavers              | 2020/2021<br>£000 |
|-------------------|--|-------------------|
| 903               | Refunds to members leaving service                 | 597               |
| (24)              | Payments for members joining the state scheme      | (7)               |
| 0                 | Group transfers to other pension funds             | 5,379             |
| 9,311             | Individual transfers to other pension funds        | 12,990            |
| <b>10,190</b>     | <b>Total Payments to and on Account of Leavers</b> | <b>18,959</b>     |

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 2021 there was one outstanding transfer value that was greater than £50k, for which £78k had not yet been paid (on 31 March 2020 there were seven outstanding transfer values receivable greater than £50k, for which £1,211k had not been received).

On 31 March 2021 there were four group transfers out from the Fund to other Pension Funds being negotiated (three on the 31 March 2020), the value of three of the transfers to the Fund is £5,379k and has been accrued. Calculations have not yet been carried out for one of the transfers.

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

## Note 7 - Management Expenses

| 2019/2020<br>£000 | Management Expenses              | 2020/2021<br>£000 |
|-------------------|----------------------------------|-------------------|
| 2,203             | Administrative costs             | 2,226             |
| 13,538            | Investment management expenses   | 15,507            |
| 733               | Oversight and governance costs   | 638               |
| <b>16,474</b>     | <b>Total Management Expenses</b> | <b>18,371</b>     |

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 £38k for the external audit main fee and £7k for the IAS19 assurance letters for scheduled bodies. In 2019/20 the external audit main fee was £19.275k.

Management fees for pooled funds and transaction costs have been included in the investment management expenses. The investment management expenses include £0.28m (£0.89m in the 2019/2020 financial year) in respect of performance related fees payable to the Fund's investment managers. It also includes £4.734m in respect of transaction costs (£4.030m in the 2019/2020 financial year).

## Note 8 - Investment Income

Investment income from equities has significantly decreased in 2020/21 following the transition of the Fund's segregated equity 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.

| <b>2019/2020</b> | <b>Investment Income</b>         | <b>2020/2021</b> |
|------------------|----------------------------------|------------------|
| <b>£000</b>      |                                  | <b>£000</b>      |
| (15,072)         | Dividends from equities          | (1,258)          |
| (16,137)         | Income from bonds                | (14,242)         |
| (541)            | Income from pooled investments   | (536)            |
| (7,262)          | Income from property unit trusts | (5,549)          |
| (770)            | Interest on cash deposits        | (1,352)          |
| (744)            | Other                            | (142)            |
| <b>(40,527)</b>  | <b>Total Investment Income</b>   | <b>(23,079)</b>  |



## 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 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.

| <b>Investments<br/>(All values<br/>are shown<br/>£000)</b> | <b>Value at<br/>31 March<br/>2020<br/>£000</b> | <b>Purchases<br/>at Cost<br/>£000</b> | <b>Sales<br/>Proceeds<br/>£000</b> | <b>Realised<br/>Profit/<br/>(Loss)<br/>£000</b> | <b>Unrealised<br/>Profit/<br/>(Loss)<br/>£000</b> | <b>Value at<br/>31 March<br/>2021<br/>£000</b> |
|--|--|---------------------------------------|------------------------------------|---|---|--|
| 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   |
|  | <b>2,895,040</b>                               | <b>563,195</b>                        | <b>(519,958)</b>                   | <b>103,918</b>                                  | <b>579,388</b>                                    | <b>3,621,585</b>                               |
| Investment income due                                      | 7,873  |                                       |                                    |   |   | 7,124  |
|  | <b>2,902,913</b>                               |                                       |                                    |   |   | <b>3,628,709</b>                               |

During 2019/2020 realised profit of £87,619m and unrealised losses of £204,613m combined to report a decrease in the market value of investments of £116,993m.

| <b>Investments<br/>(All values<br/>are shown<br/>£000)</b> | <b>Value at<br/>31 March<br/>2019<br/>£000</b> | <b>Purchases<br/>at Cost<br/>£000</b> | <b>Sales<br/>Proceeds<br/>£000</b> | <b>Realised<br/>Profit/<br/>(Loss)<br/>£000</b> | <b>Unrealised<br/>Profit/<br/>(Loss)<br/>£000</b> | <b>Value at<br/>31 March<br/>2020<br/>£000</b> |
|--|--|---------------------------------------|------------------------------------|---|---|--|
| Long term investments                                      | 840  | 0                                     | 0                                  | 0   | 0   | 840  |
| Equities - quoted  | 573,933  | 347,507                               | (870,319)                          | 22,920  | (37,191)  | 36,850   |
| Bonds  | 428,687  | 110,978                               | (110,343)                          | 4,595   | (12,204)  | 421,713  |
| Pooled investment vehicles                                 | 1,690,849                                      | 737,308                               | (170,102)                          | 58,630  | (156,387)   | 2,160,298                                      |
| Property - unit trusts                                     | 214,243  | 11,057                                | (6,381)                            | 1,424   | (6,859)   | 213,484  |
| Derivative contracts                                       | (34)   | 326                                   | (376)                              | 50  | 34  | 0  |
| Cash deposits  | 80,693   | 0                                     | (26,833)                           |   | 7,995   | 61,855   |
|  | <b>2,989,211</b>                               | <b>1,207,176</b>                      | <b>1,184,354</b>                   | <b>87,619</b>                                   | <b>(204,613)</b>                                  | <b>2,895,040</b>                               |
| Investment income due                                      | 10,489   |                                       |                                    |   |   | 7,873  |
|  | <b>2,999,700</b>                               |                                       |                                    |   |   | <b>2,902,913</b>                               |

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
- Diversified growth 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.

Assets which exceed 5% of the total value of the net assets of the Fund are shown in the table below:

| Fund Manager/Mandate  | Proportion of Fund<br>31 March 2020<br>£000 | %         | Proportion of Fund<br>31 March 2021<br>£000 | %         |
|---|---|-----------|---|-----------|
| <b>Investments managed by Brunel Pension Partnership Ltd</b>  |   |           |   |           |
| Passive Global Developed Equities                             | 725,922                                     | 25        | 841,815                                     | 23        |
| Global High Alpha Equities                                    | 401,912                                     | 14        | 602,912                                     | 17        |
| Property – unit trusts  | -   | -         | 222,602                                     | 6         |
| Emerging Market Equities                                      | 123,402                                     | 4         | 197,734                                     | 6         |
|   | <b>1,251,236</b>                            | <b>43</b> | <b>1,865,063</b>                            | <b>52</b> |
| <b>Investments managed by the Fund</b>                        |   |           |   |           |
| Legal & General Investment Management - Passive index-tracker | 362,721                                     | 12        | 377,516                                     | 11        |
| Royal London Asset Management                                 | 469,468                                     | 16        | 511,010                                     | 14        |
|   | <b>832,189</b>                              | <b>28</b> | <b>888,526</b>                              | <b>25</b> |

## Note 10 - Investment Management Arrangements

The following table summarises the proportion of the Fund managed by Brunel Pension Partnership Limited and the Fund:

| Fund Manager/Mandate   | Proportion of Fund<br>31 March 2020<br>£000 | %  | Proportion of<br>Fund 31 March<br>2021 £000 | %  |
|--|---|----|---|----|
| <b>Investments managed by Brunel Pension Partnership Ltd</b>       |   |    |   |    |
| Low Volatility Equities  | 110,593                                     | 4  | 159,691                                     | 4  |
| Passive Developed Equities   | 725,922                                     | 25 | 841,815                                     | 23 |
| Emerging Markets Equities  | 123,402                                     | 4  | 197,734                                     | 6  |
| Global Equities  | 401,912                                     | 14 | 602,912                                     | 17 |
| Infrastructure   | 11,451                                      | 0  | 43,783                                      | 1  |
| Private Equity   | 14,105                                      | 1  | 22,444                                      | 1  |
| Smaller Companies Equities   | 0   | 0  | 180,831                                     | 5  |
| Property – unit trusts   | 0   | 0  | 222,602                                     | 6  |
| <b>Total Investments managed by Brunel Pension Partnership Ltd</b> | <b>1,387,385</b>                            |    | <b>2,271,812</b>                            |    |
| <b>Investments managed by the Fund</b>                             |   |    |   |    |
| LaSalle – Property unit trusts                                     | 222,898                                     | 8  | 1,114                                       | 0  |
| BlackRock -Cash/inflation plus                                     | 135,425                                     | 5  | 160,110                                     | 4  |
| Blackstone Alternative Asset Management - Hedge fund of funds      | 146,881                                     | 5  | 171,071                                     | 5  |
| Investec Asset Management- Less constrained global equities        | 1,122                                       | 0  | 777   | 0  |

|   |                  |            |                  |            |
|---|------------------|------------|------------------|------------|
| Legal & General Investment Management – Passive index-tracker | 362,721          | 12         | 377,516          | 11         |
| Mirabaud Investment Management Limited-UK equities            | 217              | 0          | 217              | 0          |
| Pantheon Private Equity- Private equity                       | 106,965          | 4          | 93,728           | 3          |
| Partners Group- Private equity                                | 21,042           | 1          | 13,177           | 0          |
| Royal London Asset Management- Core plus bonds                | 469,468          | 16         | 511,010          | 14         |
| Schroders- Less constrained global equities                   | 3,180            | 0          | 2305             | 0          |
| Aberdeen Standard Investments – Less constrained UK equities  | 964              | 0          | 134              | 0          |
| GTP   | 908              | 0          | 698              | 0          |
| Hg Capital  | 600              | 0          | 581              | 0          |
| <b>Total Investments managed by the Fund</b>                  | <b>1,472,391</b> |            | <b>1,332,438</b> |            |
| <b>Total</b>  | <b>2,859,776</b> | <b>100</b> | <b>3,604,250</b> | <b>100</b> |

| Reconciliation to Net Investments in the 31 March 2021 Net Assets Statement | £000      |
|---|-----------|
| Net investments   | 3,628,709 |
| Less cash   | (23,621)  |
| Less long term investments  | (840)     |
| Add rounding error  | 2         |
| Investment management arrangements  | 3,604,250 |

## Note 11 - Analysis of the Value of Investments

| 31 March 2020<br>£000 | Analysis of the Value of Investments   | 31 March 2021<br>£000 |
|-----------------------|--|-----------------------|
| <b>840</b>            | <b>Long Term Investments</b>           | <b>840</b>            |
|                       | <b>Bonds</b>                           |                       |
|                       | <b>Fixed Interest Securities</b>       |                       |
| 0                     | Overseas public sector                 | 5,992                 |
| 286,003               | UK other                               | 307,521               |
| 73,474                | Overseas other                         | 73,455                |
| <b>359,477</b>        | <b>Total Fixed Interest Securities</b> | <b>386,968</b>        |
|                       | <b>Index-Linked Gilts</b>              |                       |
| 51,806                | UK Index-linked gilts public sector    | 85,851                |
| 10,431                | UK Index-linked gilts other            | 7,297                 |
| <b>62,237</b>         | <b>Total Index-Linked Gilts</b>        | <b>93,148</b>         |
| <b>421,714</b>        | <b>Total Bonds</b>                     | <b>480,116</b>        |

|                  |   |                  |
|------------------|---|------------------|
|                  | <b>Equities</b>                           |                  |
| 129              | UK quoted                                 | 150              |
| 36,720           | Overseas quoted                           | 25,488           |
| <b>36,849</b>    | <b>Total Equities</b>                     | <b>25,638</b>    |
|                  | <b>Pooled Investment Vehicles</b>         |                  |
| 0                | UK Equities                               | 0                |
| 362,721          | UK Bonds                                  | 377,516          |
| 1,361,829        | Overseas Equities                         | 1,982,983        |
| 135,421          | Overseas Diversified Growth Fund (GBP)    | 160,106          |
| 146,881          | Overseas Hedge Fund of Funds (GBP)        | 171,071          |
| 22,828           | Overseas Infrastructure                   | 44,837           |
| 130,617          | Overseas Private Equities                 | 121,765          |
| <b>2,160,297</b> | <b>Total Pooled Investment vehicles</b>   | <b>2,858,278</b> |
|                  | <b>Other</b>                              |                  |
| 213,484          | Property - unit trusts                    | 213,051          |
| 0                | Derivatives                               | 0                |
| 61,856           | Cash deposits – sterling and foreign cash | 43,662           |
| 7,873            | Investment Income receivable              | 7,124            |
| <b>283,213</b>   | <b>Total Other</b>                        | <b>263,837</b>   |
| <b>2,902,913</b> | <b>Total Value of Investments</b>         | <b>3,628,709</b> |

## 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 2020                      |                                    |   |                              | 31 March 2021                      |                                    |   |
|------------------------------------|------------------------------------|---|------------------------------|------------------------------------|------------------------------------|---|
| 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                                    |
| <b>840</b>                         |                                    |   | <b>Long Term Investments</b> | <b>840</b>                         |                                    |   |
| 359,477                            |                                    |   | Fixed Interest Securities    | 386,968                            |                                    |   |
| 36,849                             |                                    |   | Equities                     | 25,638                             |                                    |   |

|                   |                |                  |                              |                  |               |                  |
|-------------------|----------------|------------------|------------------------------|------------------|---------------|------------------|
| 62,237            |                |                  | Index Linked Gilts           | 93,149           |               |                  |
| 213,484           |                |                  | Property – unit trusts       | 213,051          |               |                  |
| 135,421           |                |                  | Diversified Growth Fund      | 160,106          |               |                  |
|                   |                |                  | <b>Pooled investments:</b>   |                  |               |                  |
| 362,721           |                |                  | Bonds                        | 377,516          |               |                  |
| 1,361,829         |                |                  | Equities                     | 1,982,983        |               |                  |
| 22,828            |                |                  | Infrastructure               | 44,837           |               |                  |
| 146,881           |                |                  | Hedge Fund of Funds          | 171,071          |               |                  |
| 130,618           |                |                  | Private Equity               | 121,765          |               |                  |
| 7,873             |                |                  | Investment Income receivable | 7,124            |               |                  |
| 27,532*           | 34,324*        |                  | Cash deposits                | 29,682           | 13,980        |                  |
|                   | 5,182          |                  | Current assets               |                  | 4,814         |                  |
| <b>2,868,590*</b> | <b>39,506*</b> |                  |                              | <b>3,614,730</b> | <b>18,794</b> |                  |
|                   |                |                  | <b>Financial Liabilities</b> |                  |               |                  |
|                   |                |                  | Derivatives                  |                  |               |                  |
|                   |                | (3,721)          | Current liabilities          |                  |               | (6,920)          |
|                   |                | <b>(3,721)</b>   |                              |                  |               | <b>(6,920)</b>   |
| <b>2,868,590*</b> | <b>39,506*</b> | <b>(3,721)</b>   | <b>Total</b>                 | <b>3,614,730</b> | <b>18,794</b> | <b>(6,920)</b>   |
|                   |                | <b>2,904,373</b> |                              |                  |               | <b>3,626,604</b> |

\*Restated. The Fund was erroneously classifying cash with custodian held in money market funds as financial asset at amortised cost. The nature of money market funds is such that they generally fall within the fair value through profit or loss category. To rectify this prior period error, cash with the custodian held in money market funds has now been classified at fair value through profit or loss while the remaining cash deposits are correctly classified at amortised cost. The rectification of this prior period error will not have any impact on the Fund's Net Asset Statement as the valuation of cash with custodian held in money market funds was based on the net asset values at year end which is appropriate for money market funds.

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

| <b>31 March 2020<br/>£000</b> | <b>Reconciliation to Net Assets of the Fund Available to Fund<br/>Benefits at 31 March in the Net Assets Statement</b> | <b>31 March 2021<br/>£000</b> |
|-------------------------------|--|-------------------------------|
| 2,913,700                     | Net Investments  | 3,638,265                     |
| (10,313)                      | Less contributions due current assets  | (12,805)                      |
| 986                           | Add HMRC current liabilities   | 1,144                         |
| <b>2,904,373</b>              | <b>Valuation of Financial Instruments</b>  | <b>3,626,604</b>              |

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.

| <b>31 March 2020<br/>£000</b> |  | <b>31 March 2021<br/>£000</b> |
|-------------------------------|--|-------------------------------|
|                               | <b>Financial Assets</b>                                    |                               |
| 116,993                       | Fair value through profit and loss                         | (683,306)                     |
| 0                             | Amortised cost – realised gains on derecognition of assets | 0                             |
| 0                             | Amortised cost – unrealised gains                          | 0                             |
|                               |  |                               |
|                               | <b>Financial Liabilities</b>                               |                               |
| 0                             | Fair value through profit and loss                         | 0                             |
| 0                             | Amortised cost – realised gains on derecognition of assets | 0                             |
| 0                             | Amortised cost – unrealised gains                          | 0                             |
| <b>116,993</b>                | <b>Total</b>   | <b>(683,306)</b>              |

### 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:

| <b>Value at 31 March 2021</b> | <b>Quoted Market Price Level 1<br/>£000</b> | <b>Using Observable Inputs Level 2<br/>£000</b> | <b>With Significant Unobservable Outputs Level 3<br/>£000</b> | <b>Total £000</b> |
|-------------------------------|---|---|---|-------------------|
| 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   | 93,148  | 0   | 93,148            |
| 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           |
| <b>Cash Instruments</b>       | <b>0</b>                                    | <b>29,682</b>                                   | <b>0</b>  | <b>29,682</b>     |
| <b>Total</b>                  | <b>326</b>                                  | <b>3,439,815</b>                                | <b>167,464</b>  | <b>3,607,606</b>  |

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

| <b>Reconciliation to Net Investments in the 31 March 2021 Net Assets Statement</b> | <b>£000</b> |
|--|-------------|
| 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 |

| Value at 31 March 2020    | 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                  | 129                              | 36,720                               | 0  | 36,849            |
| Fixed interest securities | 0                                | 359,477                              | 0  | 359,477           |
| Index linked gilts        | 0                                | 62,237                               | 0  | 62,237            |
| Diversified Growth Fund   | 0                                | 135,421                              | 0  | 135,421           |
| Hedge fund of funds       | 0                                | 146,881                              | 0  | 146,881           |
| Infrastructure            | 0                                | 0                                    | 22,828   | 22,828            |
| Bonds                     | 0                                | 362,721                              | 0  | 362,721           |
| Equities                  | 0                                | 1,361,829                            | 0  | 1,361,829         |
| Private Equities          | 0                                | 0                                    | 130,618  | 130,618           |
| Property – unit trusts    | 0                                | 213,484                              | 0  | 213,484           |
| Cash Instruments*         | 0                                | 27,532*                              | 0  | 27,532*           |
| <b>Total</b>              | <b>129</b>                       | <b>2,706,302*</b>                    | <b>154,286</b>                                     | <b>2,860,717*</b> |

\* Restated

| Reconciliation to Net Investments in the 31 March 2020 Net Assets Statement | £000              |
|---|-------------------|
| Net investments   | 2,902,913         |
| Less Cash deposits  | (34,324)*         |
| Less investment income receivable   | (7,873)           |
| <b>Valuation of Financial Instruments carried at fair value</b>             | <b>2,860,717*</b> |

\* Restated

### 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 2021 and 31 March 2020.

|                | 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                 |

|              |  |                |                |                |
|--------------|--|----------------|----------------|----------------|
| <b>Total</b> |  | <b>166,602</b> | <b>205,460</b> | <b>127,744</b> |
|--------------|--|----------------|----------------|----------------|

|                | <b>Assessed valuation range (+/-)</b> | <b>Value at 31 March 2020 £000</b> | <b>Value on increase £000</b> | <b>Value on decrease £000</b> |
|----------------|---------------------------------------|------------------------------------|-------------------------------|-------------------------------|
| Infrastructure | 16.4%                                 | 22,828                             | 26,572                        | 19,084                        |
| Private equity | 26.4%                                 | 130,617                            | 165,100                       | 96,134                        |
| <b>Total</b>   |                                       | <b>153,445</b>                     | <b>191,672</b>                | <b>115,218</b>                |

**Reconciliation of Fair Value Measurements Within Level 3**

|                | <b>Value at 31 March 2020 £000</b> | <b>Purchases £000</b> | <b>Sales £000</b> | <b>Realised profit/(loss) £000</b> | <b>Unrealised profit/loss £000</b> | <b>Value at 31 March 2021 £000</b> |
|----------------|------------------------------------|-----------------------|-------------------|------------------------------------|------------------------------------|------------------------------------|
| 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                             |
| <b>Total</b>   | <b>153,445</b>                     | <b>59,459</b>         | <b>(53,876)</b>   | <b>23,619</b>                      | <b>(16,045)</b>                    | <b>166,602</b>                     |

|                | <b>Value at 31 March 2019 £000</b> | <b>Purchases £000</b> | <b>Sales £000</b> | <b>Realised profit/(loss) £000</b> | <b>Unrealised profit/(loss) £000</b> | <b>Value at 31 March 2020 £000</b> |
|----------------|------------------------------------|-----------------------|-------------------|------------------------------------|--------------------------------------|------------------------------------|
| Private equity | 135,939                            | 15,974                | (35,441)          | 28,443                             | (14,297)                             | 130,617                            |
| infrastructure | 15,853                             | 8,861                 | (2,974)           | 1,116                              | (27)                                 | 22,828                             |
| <b>Total</b>   | <b>151,792</b>                     | <b>24,834</b>         | <b>(38,415)</b>   | <b>29,559</b>                      | <b>(14,324)</b>                      | <b>153,445</b>                     |

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

**Royal London Asset Management – equities £25.315m, fixed interest securities £386.968m and index-linked gilts £93.149m – Level 2 – Total - £505.432m**

A segregated mandate managed by Royal London Asset Management, the valuation pricing is based on closing bid prices.

**Brunel – Passive Global Developed Equity £841.815m, Active Global High Alpha Equity £602.912m, Active Global Emerging Markets Equity £197.734m, Active Low Volatility Equity £159.691m and Active Smaller Companies Equity £180.831m ACS Funds – Level 2 – Total £1,982.983m**

**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 prices 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”).

**Pooled bonds - LGIM – Passive Tracker Fund – Level 2 £377.516m**

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”).

**Diversified Growth Fund - BlackRock Institutional Jersey Dynamic Diversified Growth Fund – Level 2 £160.106m**

The above fund is a sub-fund of the BlackRock Institutional Jersey Funds umbrella which reports under UK SORP and is not exchange-traded. The price is determined daily by the Funds Administrator and will be representative of the fund’s net asset value (“NAV”) at each dealing point subject to any spreads applied, where appropriate. The Fund is not subject to any redemption notice periods and can be redeemed at each dealing point, currently on a daily basis.

**Blackstone – Hedge Fund of Funds – Level 2 £171.071m**

Blackstone’s direct securities and derivative investments made through Blackstone’s fund of hedge fund vehicles, such as Securities, Options, Futures are valued using prices quoted on the relevant exchanges. Forward currency contracts are valued at the current forward market prices obtained from brokers. Total return swaps are valued using the last reported public closing price of the underlying index.

**Infrastructure – Level 3 - Brunel (£39.251m) and Partners Group (£5.586m) – Total £44.837m**

**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.

**Private Equity – Level 3 – Brunel (£20.444m), Pantheon (£93.729m) and Partners Group (£5.586m) – Total - £121.765m**

### **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 £213.051m and Level 3 £25k**

Brunel selects managers who apply either open market values or a 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.

## 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 Buckinghamshire 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 Buckinghamshire Pension Fund Committee. The Buckinghamshire Pension Fund Risk Assessment analyses the risks faced by the Council's pensions operations, it is reviewed regularly by the Buckinghamshire 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 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 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 2021<br>£000 | Percentage<br>Change % | Value on<br>increase £000 | Value on<br>decrease<br>£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                        |
| <b>Total</b>                 | <b>3,628,709</b>      |                        | <b>4,165,978</b>          | <b>3,091,440</b>             |

In consultation with Mercer, the Fund’s investment consultant, the Fund determined that the following movements in market price risk were reasonably possible for 2019/2020, 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 2020<br>£000 | Percentage<br>Change % | Value on<br>increase £000 | Value on<br>decrease £000 |
|------------------------------|-----------------------|------------------------|---------------------------|---------------------------|
| Long term investments        | 840                   | 20.6                   | 1,013                     | 667                       |
| Equities – quoted            | 36,849                | 20.6                   | 44,440                    | 29,258                    |
| Bonds                        | 421,714               | 4.84                   | 442,117                   | 401,311                   |
| Pooled investment vehicles   | 2,160,297             | 16.93                  | 2,526,137                 | 1,794,457                 |
| Property - unit trusts       | 213,484               | 15.6                   | 246,788                   | 180,180                   |
| Derivative contracts         | 0                     | 12.2                   | 0                         | 0                         |
| Cash deposits                | 61,856                | 1.0                    | 62,475                    | 61,237                    |
| Investment income receivable | 7,873                 | 20.6                   | 9,495                     | 6,251                     |
| <b>Total</b>                 | <b>2,902,913</b>      |                        | <b>3,332,465</b>          | <b>2,473,361</b>          |

## 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.

| <b>31 March 2021 Exposure to interest rate risk</b> | <b>Asset Value<br/>£000</b> | <b>Value after impact<br/>of 1% increase in<br/>interest rates £000</b> | <b>Value after impact<br/>of 1% decrease in<br/>interest rates £000</b> |
|---|-----------------------------|---|---|
| Cash and cash equivalents                           | 46,548                      | 46,548  | 46,548  |
| Fixed interest bonds                                | 386,968                     | 390,838   | 383,098   |
| Variable rate bonds                                 | 93,149                      | 93,149  | 93,149  |
| <b>Total</b>  | <b>526,665</b>              | <b>530,535</b>  | <b>522,795</b>  |

| <b>31 March 2020 Exposure to interest rate risk</b> | <b>Asset Value<br/>£000</b> | <b>Value after impact<br/>of 1% increase in<br/>interest rates £000</b> | <b>Value after impact<br/>of 1% decrease in<br/>interest rates £000</b> |
|---|-----------------------------|---|---|
| Cash and cash equivalents                           | 64,862                      | 64,862  | 64,862  |
| Fixed interest bonds                                | 359,477                     | 363,072   | 355,882   |
| Variable rate bonds                                 | 62,237                      | 62,237  | 62,237  |
| <b>Total</b>  | <b>486,576</b>              | <b>490,171</b>  | <b>482,981</b>  |

| <b>2020/2021 Exposure to interest rate risk</b> | <b>Interest<br/>receivable £000</b> | <b>Impact of 1%<br/>increase £000</b> | <b>Impact of 1%<br/>decrease £000</b> |
|---|-------------------------------------|---------------------------------------|---------------------------------------|
| Cash and cash equivalents                       | 1,352                               | 1,366                                 | 1,338                                 |
| Fixed interest bonds                            | 8,676                               | 8,763                                 | 8,589                                 |
| Variable rate bonds                             | 5,566                               | 5,622                                 | 5,510                                 |
| <b>Total</b>                                    | <b>15,594</b>                       | <b>15,751</b>                         | <b>15,437</b>                         |



| 2019/2020 Exposure to interest rate risk | Interest receivable £000 | Impact of 1% increase £000 | Impact of 1% decrease £000 |
|--|--------------------------|----------------------------|----------------------------|
| Cash and cash equivalents                | 770                      | 778                        | 762                        |
| Fixed interest bonds                     | 9,830                    | 9,928                      | 9,732                      |
| Variable rate bonds                      | 6,307                    | 6,370                      | 6,244                      |
| <b>Total</b>                             | <b>16,907</b>            | <b>17,076</b>              | <b>16,738</b>              |

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 7.92% 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 |
|---------------------------------|--------------------|------------------------|------------------------|
|                                 |                    | <b>+7.92%</b>          | <b>-7.92%</b>          |
| 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                 |
| <b>Total</b>                    | <b>2,045,703</b>   | <b>2,207,723</b>       | <b>1,883,683</b>       |

The sensitivity of the Fund’s investments to changes in foreign currency rates have been analysed using a 7.64% movement in exchange rates in either direction for 31 March 2020. This analysis assumes that all variables, in particular interest rates, remain constant. Based on the composition of the Fund’s currency exposure a 7.64% fluctuation in the currency is considered reasonable. A 7.64% weakening or

strengthening of Sterling against the various currencies at 31 March 2020 would have increased or decreased the net assets by the amount shown below;

| <b>Currency Exposure by Asset Type</b> | <b>31 March 2020<br/>£000</b> | <b>Value on increase<br/>£000</b> | <b>Value on decrease<br/>£000</b> |
|--|-------------------------------|-----------------------------------|-----------------------------------|
|  |                               | <b>+7.64%</b>                     | <b>-7.64%</b>                     |
| Equities – quoted                      | 1,276,253                     | 1,373,759                         | 1,178,747                         |
| Infrastructure                         | 19,227                        | 20,696                            | 17,758                            |
| Pooled investment vehicles             | 130,617                       | 140,596                           | 120,638                           |
| Property - unit trusts                 | 29                            | 31                                | 27                                |
| Cash deposits                          | 43,923                        | 47,279                            | 40,567                            |
| <b>Total</b>                           | <b>1,470,049</b>              | <b>1,582,361</b>                  | <b>1,357,737</b>                  |

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 and EUROS, using data on currency risk of 8.03% for the US Dollar and 6.77% for the EURO. 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;

| <b>Asset Type</b> | <b>31 March 2021<br/>£000</b> | <b>Percentage Change<br/>%</b> | <b>Value on increase<br/>£000</b> | <b>Value on decrease<br/>£000</b> |
|-------------------|-------------------------------|--------------------------------|-----------------------------------|-----------------------------------|
| 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                           |
| <b>Total</b>      | <b>1,598,968</b>              |                                | <b>1,725,120</b>                  | <b>1,472,817</b>                  |

Weakening or strengthening of Sterling against US Dollars and EUROS at 31 March 2020 would have increased or decreased the net assets by the amounts shown in the following table;

| <b>Asset Type</b> | <b>31 March 2020<br/>£000</b> | <b>Percentage Change<br/>%</b> | <b>Value on increase<br/>£000</b> | <b>Value on decrease<br/>£000</b> |
|-------------------|-------------------------------|--------------------------------|-----------------------------------|-----------------------------------|
| US Dollars        | 869,526                       | 7.73                           | 936,740                           | 802,312                           |
| EUROS             | 196,309                       | 6.72                           | 209,501                           | 183,117                           |
| <b>Total</b>      | <b>1,065,835</b>              |                                | <b>1,146,241</b>                  | <b>985,429</b>                    |

## 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 Lloyds, 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 at 31 March 2021 was £0.976m in an instant access Lloyds account and £2.000m invested in Federated's money market fund. (On 31 March 2020 £1.109m was invested in an instant access Lloyds account and £2.000m invested in Federated's money market fund.) Cash held by investment managers is 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;

| <b>31 March 2020</b><br><b>£000</b> |                                | <b>31 March 2021</b><br><b>£000</b> |
|-------------------------------------|--------------------------------|-------------------------------------|
| 146,881                             | Blackstone hedge fund of funds | 171,071                             |
| 11,451                              | Brunel infrastructure          | 43,783                              |
| 14,105                              | Brunel private equity          | 22,444                              |
| 0                                   | Brunel property unit trusts    | 222,602                             |
| 222,898                             | LaSalle property unit trusts   | 0                                   |
| 106,965                             | Pantheon private equity        | 93,728                              |
| 21,042                              | Partners Group private markets | 13,177                              |
| 600                                 | Hg Capital                     | 581                                 |
| <b>523,942</b>                      |                                | <b>567,386</b>                      |

## Note 14 - Related Parties

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

Buckinghamshire Council was reimbursed £2.49m (£2.35m in the 2019/2020 year) for oversight & governance costs and administration costs incurred by the Council on behalf of the Fund.

Buckinghamshire Council is also the single largest employer of members of the Fund and contributed £56.8m to the Fund in 2020/2021 (£47.2m in the 2019/2020 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 2021, the Fund had an average investment balance of £5.9m (£8.1m in the 2019/2020 year), earning interest of £11k (£53k in the 2019/2020 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 Buckinghamshire Pension Fund Committee who are a deferred member of the Fund. There are no members of the Buckinghamshire Pension Fund Committee who were pensioner members of the Fund on 31 March 2021 (on 31 March 2020 no pensioner members and one deferred member). The Service Director – Corporate Finance (s151 Officer), holds 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 Buckinghamshire Pension Fund Committee and the post of Head of Projects and Pensions are the key management personnel involved with the Buckinghamshire Pension Fund. £32k was incurred by the Buckinghamshire Pension Fund for costs in relation to key management personnel. Members of the Buckinghamshire Pension Fund Committee are disclosed in the Buckinghamshire 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 2021 Brunel provided services costing £1,179k (£1,144k in the year to 31 March 2020).

**Note 15 - Current Assets and Liabilities**

| <b>31 March 2020</b> | <b>Current Assets and Liabilities</b>                     | <b>31 March 2021</b> |
|----------------------|---|----------------------|
| <b>£000</b>          |   | <b>£000</b>          |
|                      | <b>Current Assets</b>                                     |                      |
| 10,313               | Contributions due from employers 31 March                 | 12,806               |
| 3,006                | Cash balances (not forming part of the investment assets) | 2,885                |
| 2,176                | Other current assets                                      | 1,929                |
| <b>15,495</b>        | <b>Total Current Assets</b>                               | <b>17,620</b>        |

|                | <b>Current Liabilities</b>       |                |
|----------------|----------------------------------|----------------|
| (727)          | Management charges               | (146)          |
| (986)          | HM Revenue and Customs           | (1,144)        |
| (673)          | Unpaid benefits                  | (440)          |
| (2,322)        | Other current liabilities        | (6,334)        |
| <b>(4,708)</b> | <b>Total Current Liabilities</b> | <b>(8,064)</b> |
| <b>10,787</b>  | <b>Net Current Assets</b>        | <b>9,556</b>   |

**Note 16 - Taxes on Income**

| <b>2019/2020</b> | <b>Taxes on Income</b>                      | <b>2020/2021</b> |
|------------------|---|------------------|
| <b>£000</b>      |   | <b>£000</b>      |
| 0                | Withholding tax - fixed interest securities | 0                |
| 351              | Withholding tax - equities                  | 0                |
| <b>351</b>       | <b>Total Taxes on Income</b>                | <b>0</b>         |

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 2019. The next valuation will take place as at 31 March 2022 and results are scheduled to be released by March 2023.

On 31 March 2019, the market value of the assets held were £3,007.020m, sufficient to cover 94% of the accrued liabilities assessed on an ongoing basis. All employers are projected to be fully funded by no later than 31 March 2035. The primary rate of contribution is the employers' share of the cost of benefits accruing in each of the three years beginning 1 April 2020 and is 18.2% of payroll. In addition, each employer pays a secondary contribution rate based on their particular circumstances, the secondary contribution rate across the whole Fund averages 3.9% in 2020/2021, 4.0% in 2021/22 and 4.1% in 2022/23.

The results of the valuation are that the past service funding level of the Fund as a whole has increased from 87% to 94% between 31 March 2016 and 31 March 2019. The improvement of the funding position since the previous valuation is mainly due to good investment returns and employer contributions. 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 Fund's actuary undertook an interim valuation as at 31 March 2021 which showed that the funding level had decreased to 92%. The estimated value of liabilities at 31 March 2021 is estimated by rolling forward the 31 March 2019 valuation membership data.

The main assumptions used in the valuation were:

### Financial assumptions

- Discount rate 4.8%
- Pension increases 2.6%
- CPI inflation 2.6%
- Salary increases 3.6%

## 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 2021 is £2,518m (31 March 2020 £1,647m), 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.

| <b>31 March 2020</b> |                                    | <b>31 March 2021</b> |
|----------------------|------------------------------------|----------------------|
| <b>£000</b>          |                                    | <b>£000</b>          |
| 4,549,742            | Present value of funded obligation | 6,146,928            |
| (2,902,913)          | Fair value of scheme assets        | (3,628,709)          |
| <b>1,646,829</b>     | <b>Net Liability</b>               | <b>2,518,219</b>     |

The present value of funded obligation consists of £6,052m (£4,446m at 31 March 2020) in respect of vested obligation and £95m (£104m at 31 March 2020) 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:

| <b>31 March 2020</b> |                   | <b>31 March 2021</b> |
|----------------------|-------------------|----------------------|
| 2.65%                | RPI increases     | 3.20%                |
| 1.85%                | CPI increases     | 2.85%                |
| 2.85%                | Salary increases  | 3.85%                |
| 1.85%                | Pension increases | 2.85%                |
| 2.35%                | Discount rate     | 2.00%                |

These assumptions are set with reference to market conditions at 31 March. The Actuary's estimate of the duration of the Fund's past service liabilities is 22 years. An estimate of the Fund's future cashflows is made using notional cashflows based on the estimated duration above. These estimated cashflows are then used to derive a Single Equivalent Discount Rate (SEDR). The discount rate derived is such that

the net present value of the notional cashflows, discounted at this single rate, equates to the net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30 year point). This is consistent with the approach used at the previous accounting date.

Similarly, to the approach used to derive the discount rate, the Retail Prices Index (RPI) increase assumption is set using a Single Equivalent Inflation Rate (SEIR) approach, using the notional cashflows described above. The single inflation rate derived is that which gives the same net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve, as applying the BoE implied inflation curve. As above, the Merrill Lynch AA rated corporate bond yield spot curve is assumed to be flat beyond the 30-year point and the BoE implied inflation spot curve is assumed to be flat beyond the 40-year point. This is consistent with the approach used at the previous accounting date. As future pension increases are expected to be based on CPI rather than RPI, the Actuary has made a further assumption about CPI which is that it will be 0.35% below RPI i.e. 2.85%.

Salaries are assumed to increase at 1.0% above CPI. This differs from the salary increase assumption at the previous accounting date and has been updated in line with the most recent funding valuation. The liabilities include an allowance for the Court of Appeal judgement in relation to the McCloud & Sargeant cases which related to age discrimination within the Judicial & Fire Pension schemes respectively.

### 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 2018 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 2020 | 31 March 2021 |
|-------------------------------------|---------------|---------------|
| <b>Retiring today</b>               |               |               |
| Males                               | 21.8          | 21.6          |
| Females                             | 25.1          | 25.0          |
| <b>Retiring in 20 years</b>         |               |               |
| Males                               | 23.2          | 22.9          |
| Females                             | 26.5          | 26.4          |

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 at 31 March 2021 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 2020  | 31 March 2021  |
|---|----------------|----------------|
|   | £000           | £000           |
| Brunel Infrastructure Cycle 2                   | 250,000        | 233,826        |
| Brunel Private Debt Cycle 2                     | 130,000        | 130,000        |
| Brunel Private Equity Cycle 2                   | 120,000        | 119,094        |
| Brunel Infrastructure Cycle 1                   | 61,095         | 51,473         |
| Brunel Private Equity Cycle 1                   | 64,240         | 55,658         |
| Pantheon Asia Fund V LP                         | 1,587          | 1,436          |
| Pantheon Asia Fund VI LP                        | 18,506         | 3,441          |
| Pantheon USA Fund VII Limited                   | 1,168          | 1,057          |
| Pantheon USA Fund VIII Feeder LP                | 4,517          | 4,014          |
| Pantheon Global Secondary Fund IV Feeder LP     | 4,063          | 1,481          |
| Partners Group Global Resources 2009, LP        | 3,435          | 3,079          |
| Pantheon Europe Fund V "A" LP                   | 854            | 860            |
| Pantheon Europe Fund VI LP                      | 3,061          | 3,084          |
| Partners Group Global Real Estate 2008 SICAR    | 1,781          | 1,707          |
| Partners Group Global Infrastructure 2009 SICAR | 2,806          | 2,690          |
|   | <b>667,114</b> | <b>612,900</b> |

On 31 March 2021 there were two group transfers to the Fund being negotiated with other Funds (three on the 31 March 2020), the value of one of the transfers to the Fund is £1,095k and has been accrued. Calculations have not yet been carried out for one of the transfers,

On 31 March 2021 there were four group transfers out from the Fund to other Ffunds being negotiated (three on the 31 March 2020), the value of three of the transfers to the Fund is £5,379k and has been accrued. Calculations have not yet been carried out for one of the transfers.

## 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.

| <b>2019/2020<br/>£000</b> | <b>Prudential</b>                            | <b>2020/2021<br/>£000</b> |
|---------------------------|--|---------------------------|
| 4,740                     | Value of AVC fund at beginning of year       | 4,727                     |
| 622                       | Employees' contributions and transfers in    | 751                       |
| 160                       | Investment income and change in market value | 328                       |
| (795)                     | Benefits paid and transfers out              | (800)                     |
| <b>4,727</b>              | <b>Value of AVC fund at year end</b>         | <b>5,006</b>              |

| <b>Restated<br/>2019/2020<br/>£000</b> | <b>Scottish Widows</b>                       | <b>2020/2021<br/>£000</b> |
|--|--|---------------------------|
| 2,838                                  | Value of AVC fund at beginning of year       | 2,087                     |
| 72                                     | Employees' contributions                     | 63                        |
| (143)                                  | Investment income and change in market value | 292                       |
| (680)                                  | Benefits paid and transfers out              | (285)                     |
| <b>2,087</b>                           | <b>Value of AVC fund at year end</b>         | <b>2,157</b>              |

## Note 21 - List of Scheduled and Admitted Bodies

### Scheduled Bodies

Buckinghamshire Council  
 Buckinghamshire and Milton Keynes Fire Authority  
 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  
 Bradwell Parish Council  
 Broughton & Milton Keynes 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  
 Chiltern Crematorium  
 Chilterns Conservation Board  
 Coldharbour Parish Council  
 Coleshill 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  
 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                     | John Hampden Grammar School              |
| Bushfield School                           | Jubilee Wood Primary School              |
| Castlefield School                         | Kents Hill Park School                   |
| Chalfonts Community College                | Kents Hill School                        |
| Chalfont St Peter CE Academy               | Khalsa Secondary Academy                 |
| Chalfont Valley E-Act Academy              | Kingsbridge Education Trust (MAT)        |
| Charles Warren Academy                     | Knowles Primary School                   |
| Chepping View Primary Academy              | Lace Hill Academy                        |
| Chesham Bois CofE Combined School          | Lent Rise Combined School                |
| Chesham Grammar School                     | Longwick CofE Combined School            |
| Chestnuts Academy                          | Lord Grey Academy                        |
| Chiltern Hills Academy                     | Loudwater Combined School                |
| Chiltern Way Academy                       | Loughton School                          |
| Christ the Sower Ecumenical Primary School | Middleton Primary School                 |
| Cottesloe School                           | Milton Keynes Academy                    |
| Curzon School                              | Milton Keynes College                    |
| Danesfield School                          | Milton Keynes Education Trust            |
| Denbigh School                             | Monkston Primary Academy                 |
| Denham Green E-Act Academy                 | Moorland Primary School                  |
| Dorney School                              | New Bradwell School                      |
| Dr Challoner's Grammar School              | New Chapter Primary School               |
| Dr Challoner's High School                 | Oakgrove School                          |
| Edlesborough School                        | Olney Infant School                      |
| Elmhurst School (Academy)                  | Olney Middle Academy                     |
| Elmtreee Infant and Nursery School         | Orchard Academy                          |
| EMLC Academy Trust                         | Ousedale School                          |
| Fairfields Primary School                  | Overstone Combined School                |
| George Grenville Academy                   | Oxford Diocesan Bucks School Trust (MAT) |
| Germander Park School                      | Oxley Park Academy                       |
| Gerrards Cross CoE School                  | Padbury CofE School                      |
| Glastonbury Thorn First School             | Portfields Combined School               |
| Great Horwood CofE Combined School         | Princes Risborough Primary School        |
| Great Kimble CoE School                    | Princes Risborough School                |
| Great Kingshill CoE Combined School        | Rickley Park Primary School              |
| Great Marlow School                        | Royal Grammar School                     |
| Great Missenden CoE Combined School        | Royal Latin School                       |
| Green Park School                          | St John's CofE Combined School           |
| Green Ridge Academy                        | St Mary & St Giles CofE School           |
| Hamilton Academy                           | St Mary's CofE Combined School           |
| Heronsgate School                          | St Nicolas' CE Combined School Taplow    |
| Heronshaw School                           | St Paul's RC School                      |
| Holmer Green Senior School                 | Seer Green CofE School                   |
| Holmwood School                            | Shenley Brook End School                 |
| Holne Chase Primary School                 | Shepherdswell School                     |
| Ickford School                             | Sir Henry Floyd Grammar School           |
| Inspiring Futures Through Learning         | Sir Herbert Leon Academy                 |
| Ivingswood Academy                         | Sir Thomas Fremantle Academy             |
| John Colet School                          | Sir William Borlase's Grammar School     |

Sir William Ramsay School  
Southwood Middle School  
Stanton School  
Stantonbury Campus  
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)  
Alliance in Partnership (TWOMA)  
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 (Walton High)  
Busy Bee Cleaning Services Ltd (BC)  
C-SALT (Woughton Leisure Centre)  
Capita (WDC)  
Caterlink Ltd (Chiltern Hills Academy)  
Chartwells Ltd (Oakgrove School)  
Chiltern Rangers CIC  
Cleantec Services Limited (Denham Academy)  
Cleantec Services Limited (MK Academy)  
Cleantec Services Limited (Oakgrove School)  
Cleantec Services Limited (Radcliffe School)  
Cucina Restaurants Ltd (Denhigh School)  
Cucina Restaurants Ltd (Walton High)  
Derwent Facilities Management Ltd  
Everyone Active Ltd  
Excelcare  
Fremantle Trust  
Fujitsu Services Limited

Hayward Services Ltd (John Colet)  
Hightown Housing Association Ltd  
Innovate Ltd  
Kids Play Ltd  
Manpower Direct Ltd  
Mears Group plc  
Mercury Infrastructure Limited  
NSL Services Group  
Oxfordshire Health NHS Foundation Trust  
Paradigm Housing Association  
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  
Serco (MKC)  
Serco (MKC Recreation & Maintenance)  
Sports Leisure Management  
Thrift Activity Farm Ltd  
Turn It On Ltd  
Vale of Aylesbury Housing Trust  
Wolverton & Watling Way Pools Trust  
Wycombe Heritage and Arts Trust



# The Audit Findings for Buckinghamshire Council Pension Fund

Year ended 31 March 2021

June 2023

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## Your key Grant Thornton team members are:

### Mark Stocks

Director

T +44 (0)20 7728 3328

E [Iain.G.Murray@uk.gt.com](mailto:Iain.G.Murray@uk.gt.com)

### Sophia Brown

Senior Manager

T +44 (0)20 7728 3179

E [Sophia.Y.Brown@uk.gt.com](mailto:Sophia.Y.Brown@uk.gt.com)

### Omer Awais

Assistant Manager

T +44 (0)20 7184 4605

E [Omer.Awais@uk.gt.com](mailto:Omer.Awais@uk.gt.com)

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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.

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# 1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Buckinghamshire Council Pension Fund ('the Fund') and the preparation of the Fund's financial statements for the year ended 31 March 2021 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 findings have been summarised in Appendix A to C. Based on the work completed to date, we have not identified any material adjustments to the financial statements that impact the Fund's net asset 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 in progress and presently there are no matters of which we are aware that would require modification of our audit opinion [Appendix E] or material changes to the financial statements, subject to the following outstanding matters;

- receipt of management representation letter {– see appendix F};
- review of the final set of financial statements incorporating audit adjustments.

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 unqualified.

# 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 have been discussed with management and will be presented to 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 Fund's business and is risk based, and in particular included:

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

We have not had to alter or change our audit plan, as communicated to you in July 2021.

## Conclusion

We have substantially completed our audit of your financial statements we anticipate issuing an unqualified audit opinion, as detailed in [Appendix E]. These outstanding items are detailed on page 3.

## 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 dated July 2021.

We detail in the table our determination of materiality for Buckinghamshire Council Pension Fund.

|  | Pension Fund Amount (£000) | Qualitative factors considered  |
|--|----------------------------|---|
| Materiality for the financial statements | 29,137                     | We considered materiality from the perspective of the users of the financial statements. We considered 0.8% was an appropriate rate to apply to the total assets benchmark. The rationale for using this benchmark is that in a pension scheme the financial statements are dominated by the investment portfolio and therefore the financial statements materiality is normally expected to be based upon total assets. Therefore, this is the most appropriate and significant benchmark for the reader of the accounts and it ensures that contributions and benefits payable are scoped in. |
| Performance materiality                  | 21,853                     | The Pension Fund does not have a history of significant deficiencies or a large number of misstatements.  |
| Trivial matters                          | 1,457                      | The threshold above which we are required to report errors or uncertainties to those charged with governance, calculated as 5% of materiality.  |



## 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 over-ride of controls is present in all entities. The Fund faces external scrutiny of its spending and stewardship of funds, and 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.

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.
- tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration.
- gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence.
- evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Our audit work has not identified any issues in respect of management override of controls.



## 2. Financial Statements - Significant risks

### Risks identified in our Audit Plan

### Commentary

#### Fraudulent revenue recognition

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 of 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; and
- the culture and ethical frameworks of local authorities, including Buckinghamshire Council and Buckinghamshire Council 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 Council Pension Fund.

As communicated in our audit plan, we have rebutted this risk. We have made no changes to this assessment.

#### Fraudulent expenditure recognition

We have 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 were satisfied that this did not present a significant risk of material misstatement in the 2020/21 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; and
- Our view is that, similarly to revenues, there is little incentive to manipulate expenditure recognition.

Therefore we do not consider this to be a significant risk for Buckinghamshire Council 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

#### Valuation of Level 3 investments

You revalue 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: £154m**) 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 and custodians as valuation experts to estimate the fair value as at 31 March 2021.

We therefore identified valuation of Level 3 investments as a significant risk.

### Commentary

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.
- 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 agreed these to the fund manager reports at that date. We reconciled those values to the values at 31 March 2021 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.
- tested revaluations made during the year to see if they had been input correctly into the Fund's asset register.
- where available, reviewed investment manager service auditor reports on the design effectiveness of internal controls.

Our audit work to date has not identified any other issues in respect of the valuation of Level 3 investments. We will provide an update to Audit and Governance Committee when the work is complete.

# 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 – £167m       | <p>The Fund has investments in private equity, infrastructure and property that in total are valued on the balance sheet as at 31 March 2021 at £167m (£154m as at 31 March 2020). 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.</p> <p>In order to determine the value, management use fund managers to determine valuations using recognised techniques for the particular investment type (private equity, infrastructure and property). The value of these investment has increased by £13m in 2020/21, which is not a significant variance.</p> <p>Management has considered alternative estimates and disclosed an estimation uncertainty in the financial statements disclosing there is a risk that the private equity investments may be under or overstated in the accounts by £34m.</p> | <p>Our assessment of the estimate comprised:</p> <ul style="list-style-type: none"> <li>evaluating the audit opinion relating to the funds within which the investments are held.</li> <li>evaluating impact of any material uncertainty disclosed by the fund managers in the Fund accounts.</li> <li>testing the key assumptions used to determine the estimate.</li> <li>the appropriateness of the underlying information and techniques used to determine the estimate.</li> <li>adequacy of disclosure of the estimate in the financial statements.</li> </ul> | <p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p> |

## 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

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   |
|--------------------------------------|---|---|--|
| <b>Level 2 Investments – £3,410m</b> | <p>The Fund has investments in a range of bonds, pooled investment vehicles and property unit trusts that in total are valued in the net assets statement as at 31 March 2021 at £3,410m (£2,679m as at 31 March 2020).</p> <p>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 use fund managers to determine valuations using recognised pricing techniques (such as for the equities and bonds held within pooled investment vehicles) and where appropriate use qualified external providers (for property unit trusts).</p> <p>The value of the investment has increased by £731m in 2020/21, mainly due to unrealised profits amounting to £581m. The realised profits contributing to the increase in valuation amount to £102m.</p> | <p>Our assessment of the estimate comprised:</p> <ul style="list-style-type: none"> <li>the controls employed by the fund managers engaged by management to determine the valuation of these investments.</li> <li>agreeing investment unit prices or valuations to reports from the custodian and fund managers.</li> <li>the appropriateness of the underlying information and techniques used to determine the estimate.</li> <li>adequacy of disclosure of the estimate in the financial statements.</li> </ul> <p>We identified from our testing an overstatement of £2.21m in the value of the Brunel Smaller Companies fund as a result of differences in the share price used by Buckinghamshire Pension Fund and the share price recorded on FT .com.</p> <p>We estimated the potential error in our untested residual population as an overstatement of £6.72m. This gives a total overstatement of £8.939m</p> <p>We have recorded this as an unadjusted error at appendix C</p> | <p>We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic</p> |

## 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 - 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 will be requested from the Fund prior to issuing the audit opinion.   |

## 2. Financial Statements - other communication requirements



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| Issue  | Commentary   |
|--|--|
| Confirmation requests from third parties                     | We requested from management permission to send confirmation requests to the Fund's custodian, fund managers and bank. This permission was granted, and the requests were sent. All of these requests were returned with positive confirmation.  |
| Accounting practices   | We have evaluated the appropriateness of the Fund's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.   |
| Audit evidence and explanations/<br>significant difficulties | All information and explanations requested from management was provided.<br>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 and we have raised a recommendation in Appendix A. |

## 2. Financial Statements - other communication requirements



### Our responsibility

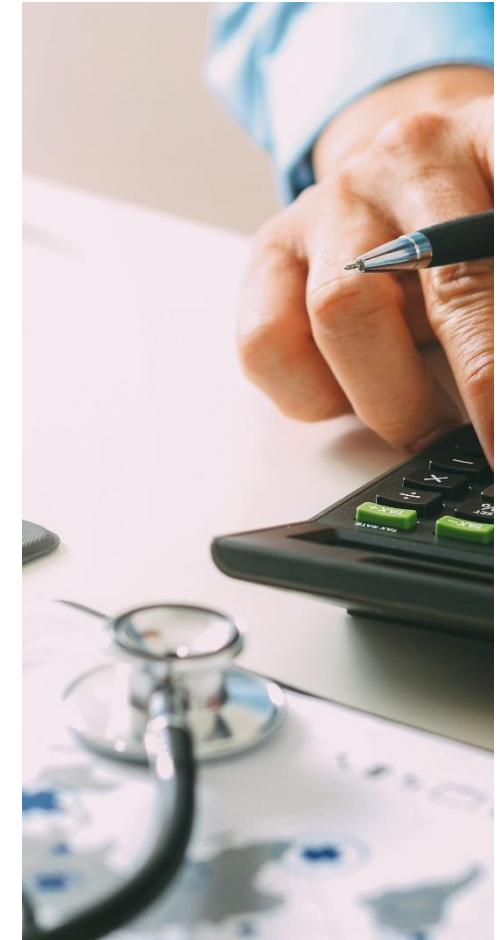
As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability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

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| Issue         | Commentary  |
|---------------|---|
| Going concern | <p>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:</p> <ul style="list-style-type: none"> <li>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; and</li> <li>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.</li> </ul> <p>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:</p> <ul style="list-style-type: none"> <li>the nature of the Pension Fund and the environment in which it operates;</li> <li>the Pension Fund's financial reporting framework;</li> <li>the Pension Fund's system of internal control for identifying events or conditions relevant to going concern; and</li> <li>management’s going concern assessment.</li> </ul> <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> <li>a material uncertainty related to going concern has not been identified; and</li> <li>management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul> |

## 2. Financial Statements - other responsibilities under the Code

| Issue  | Commentary   |
|--|--|
| Disclosures                                    | <p>A number of inconsistencies and omissions have been identified from the hot review of the accounts These pertain to the following disclosures:</p> <ul style="list-style-type: none"> <li>• Accounting Policies</li> <li>• Critical Judgements</li> <li>• Events after the Reporting Date</li> <li>• Estimation Uncertainty</li> <li>• Key Management Personnel</li> <li>• Accounting Standards that have been issued but not yet adopted</li> <li>• Investment Disclosures (note 11 and 12)</li> <li>• Actuarial Position and Actuarial Present Value of Promised Retirement Benefits Disclosures (note 17 and 18)</li> </ul> <p>Note 3 – footnote to explain increase in employer contribution</p> <p>Though these have been adequately rectified by management, we expect fewer omissions and errors in the notes accompanying the Pension Fund’s financial statements. We plan to issue an unmodified opinion in this respect – refer to appendix E</p> |
| <b>Matters on which we report by exception</b> | <p>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 propose to issue our ‘consistency’ opinion on the Fund’s Annual Report at the same time as issuing the audit opinion.</p>   |



# 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 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

# 3. Independence and ethics

## Audit and non-audit services

The table below sets out the audit related services and non-audit related services charged from the beginning of financial year to the date of the issuance of this report, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

| Service  | Fees £ | Threats identified | Safeguards   |
|--|--------|--------------------|--|
| Audit related  |        |                    |  |
| Provision of IAS 19 Assurances to Scheme Employer auditors | 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. |
|  |        | Self Review        | We have not prepared the financial information on which our assurances will be used by the requesting auditor. Any decisions whether to change controls over, or edits required to, financial information arising from our findings will be a matter for informed management.  |
|  |        | Management         | We may make recommendations to the Pension Fund in respect of control weaknesses, in the same way as we would in an audit of financial statements. Informed management understand the operation of systems and can challenge our recommendations as appropriate.   |

No non-audit services were identified which were charged from the beginning of the financial year.

Independence, ethics, fees and non-audit services

# Independence and ethics (continued)

As part of our assessment of our independence we note the following matters:

| Matter  | Conclusion  |
|---|---|
| Relationships with Grant Thornton                 | We are not aware of any relationships between Grant Thornton and Buckinghamshire Pension Fund may reasonably be thought to bear on our integrity, independence and objectivity  |
| Relationships and Investments held by individuals | We have not identified any potential issues in respect of personal relationships with the Group or investments in the Group held by individuals   |
| Employment of Grant Thornton staff                | We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Group as a director or in a senior management role covering financial, accounting or control related areas. |
| Business relationships                            | We have not identified any business relationships between Grant Thornton and Buckinghamshire Pension Fund   |
| Contingent fees in relation to non-audit services | No contingent fee arrangements are in place for non-audit services provided   |
| Gifts and hospitality                             | We have not identified any gifts or hospitality provided to, or received from, a member of Buckinghamshire Pension Fund's senior management or staff that would exceed the threshold set in the Ethical Standard                                    |

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 and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person and network firms have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

Following this consideration we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

# Appendices



# A. Action plan – Audit of Financial Statements

We have identified one recommendations for the Fund as a result of issues identified during the course of our audit. We have agreed our recommendation with management and we will report on progress on the recommendation during the course of the 2021/22 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       | <p><b>Transaction listings</b></p> <p>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.</p> <p>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.</p> | <p>Transaction listings provided to audit should be cleansed of significant contra entries.</p> <p><b>Management response</b></p> <p>We will complete a review and data cleanse before transaction listings are sent through going forward</p> |

## 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 2019/20 financial statements, which resulted in 5 recommendations being reported in our 2019/20 Audit Findings report. We are pleased to report that management have implemented all of our recommendations.

| Assessment | Issue and risk previously communicated  | Update on actions taken to address the issue  |
|------------|---|---|
| ✓          | <b>Investment Valuation:</b> As part of our testing of investments we reconciled the year end valuations as per the custodian reports with the fund manager statements. In doing so, we discovered that a variance amounting to £10,059k was attributable to the fact that State Street (the Custodian) had used the 31st December valuation data (latest available at the time) to value the 31st of March positions. The client also used the custodian figures in preparation of their accounts.   | <p><b>Response as per prior year AFR:</b> Client confirmed that they will liaise with State Street to discuss if they are able to provide the information needed in a timelier manner.</p> <p><b>20/21 Update:</b><br/>Majority of the funds are valued at 31.03.2021. For the small amounts that are valued at 31.12.2020, this will not have a material impact on the accounts. The reason for using some data from the 31.12.2020 is due to the timing of the information being provided to us from the fund managers.</p> |
| ✓          | <b>Scheme Contributions:</b> The reconciliation of monthly returns for scheme contributions from scheduled and admitted bodies had a total difference of £3,808k We could not obtain a clean reconciliation between the accounts and employer contribution records; the total difference was £3,808k. Auditor sought an explanation for this variance; however this could not be provided by the client at a macro level. Auditor thus performed an employer-by-employer reconciliation to determine why this difference occurred and reconciled this down to a trivial difference of £11k. There were also several insignificant differences noted in relation to several other employers. Whilst the accuracy and completeness of the reconciliation has been improved since this issue was first identified, we consider that there remains a need to improve further these aspects of the reconciliation. | <p><b>Response as per prior year AFR:</b> We are in the process of improving the reconciliation. Including monthly reports to Management.</p> <p><b>2020/21 update:</b><br/>The reconciliation process has been improved further this year, with officers fully reconciling returns to SAP on quarterly basis by employer.</p>  |

## Assessment

- ✓ Action completed
- X Not yet addressed

# B. Follow up of prior year recommendations

We identified the following issues in the audit of Buckinghamshire Pension Fund's 2019/20 financial statements, which resulted in 5 recommendations being reported in our 2019/20 Audit Findings report. We are pleased to report that management have implemented all of our recommendations.

| Assessment | Issue and risk previously communicated   | Update on actions taken to address the issue  |
|------------|--|---|
| ✓          | <p><b>Investments - Challenge to assumptions:</b> We made inquiries regarding the assumptions that are used by the fund managers for valuations of level 2 and level 3 investments and concluded that client does not challenge them. Furthermore, management failed to demonstrate any challenge to the classification methodology for the different hierarchy of investments.</p>  | <p><b>Response as per prior year AFR:</b> We will ensure to review and challenge the fund managers and custodians where we can.</p> <p><b>2020/21 update:</b></p> <p>Where appropriate we have challenged the assumptions of custodian. This is documented in our audit</p> |
| ✓          | <p><b>Management challenge of actuary:</b> During our review of the actuarial PV of Promised Retirement Benefits, as required, we sought to obtain management's review and challenge of the actuary's estimate.</p> <p>There was no evidence of management's formal challenge to the actuary's estimate.</p> <p>Management are responsible for the judgements within the financial statements. They are required to retain evidence of their challenge and correspondences with the experts while making their judgments and decisions regarding accounting estimates.</p> | <p><b>Response as per prior year AFR:</b> We will ensure to review and challenge the Actuary where we can.</p> <p><b>2020/21 update:</b></p> <p>Where appropriate we have challenged the assumptions of Barnett Waddingham</p>  |

## Assessment

- ✓ Action completed
- X Not yet addressed

# B. Follow up of prior year recommendations

We identified the following issues in the audit of Buckinghamshire Pension Fund's 2019/20 financial statements, which resulted in 5 recommendations being reported in our 2019/20 Audit Findings report. We are pleased to report that management have implemented all of our recommendations.

| Assessment | Issue and risk previously communicated  | Update on actions taken to address the issue   |
|------------|---|--|
| ✓          | <p><b>IAS 19: Digital filing System:</b> As part of our IAS 19 testing, we noted several instances of version control issues. Multiple email exchanges between the Pension Fund and the employers for confirmation of data to be sent to the actuary, were initially sent as final evidence to our audit team.</p> <p>It proved extremely cumbersome to obtain the final source data from employers which agreed to that sent to the actuary. An appropriate system of version control regarding source data is needed.</p> <p>This will ensure that the audit is more efficient, and less time is spent going through several emails which are not supporting the source data sent to the actuary.</p> | <p><b>Response as per prior year AFR:</b> We will ensure we keep the final versions of all data submitted to the actuary by the individual employers</p> <p><b>2020/21 update:</b></p> <p>We have created a sperate file in our audit papers which includes a folder per employer. Within this folder is the final data submission</p> |
| ✓          | <p><b>IAS 19: Milton Keynes Council:</b> As part of our IAS 19 testing, we noted that Milton Keynes Council, did not respond to efforts by the Pension Fund to obtain their data to be sent to the actuary.</p> <p>Similarly, it was also noted that up to August 2020, the March 2020 employer return was not submitted despite several attempts to obtain this information.</p> <p>Consideration should be given by management to identify ways in which data can be obtained from Milton Keynes Council ahead of year end closedown and audit.</p>   | <p><b>Response as per prior year AFR:</b> We have been liaising with MK ongoing and have now obtained the data required</p> <p><b>2020/21 update:</b></p> <p>We continue to work with all our employers in order to obtain the data we require in order to be able to prepare our accounts</p>   |

## Assessment

- ✓ Action completed
- X Not yet addressed

# C. Audit Adjustments

## 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.

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

| Disclosure omission | Auditor recommendations | Adjusted? |
|---------------------|-------------------------|-----------|
|---------------------|-------------------------|-----------|

**Reclassification of cash in the current and prior period.**

During the hot review of Buckinghamshire Pension Fund, the reviewer noted that the Credit Risk disclosure stated the 'Cash held by investment managers is invested with the global custodian, State Street, in a diversified money market fund rated AAAM'. This was inconsistent with the financial instruments disclosure as our understanding of the MMFs is that these should be classified as fair value through profit and loss FVTPL whereas all the Cash deposits (comprising of MMFs alongside cash held with Fund managers) are classified as held at amortized cost. This resulted in the reclassification of £29,682m as FVTPL in the financial instrument disclosure note and £27,532m of the cash balance being reclassified as FVTPL. This is just a disclosure error and has no impact on the cash balance or the net asset statement.

The adjustment is shown in the table below.

|  | 2019-20       | 2020-21       |
|--|---------------|---------------|
| <b>MMF (FVTPL)</b>                                   | 27,532        | 29,682        |
| <b>Cash held with Fund Managers (Amortised Cost)</b> | 34,324        | 13,980        |
| <b>Total</b>   | <b>61,856</b> | <b>43,662</b> |

✓

We made a recommendation to management to adjust for the error.

### Management response

Agreed to changes. To be reflected in revised financial statements.

# 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.

## 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? |
|--------------------------------|--|-----------|
| <b>Critical Judgements</b>     | <p>We noted that within critical judgements in applying accounting policies, the disclosure in relation 'pension fund liability' is an estimation uncertainty rather than critical judgement and should not be included.</p> <p><b>Management response</b><br/>Agreed to changes. To be reflected in revised financial statements.</p>   | ✓         |
| <b>Material Uncertainty</b>    | <p>We noted that the Pension Fund had disclosed a material uncertainty in their draft accounts pertaining to the valuation of level 3 investments. Since none of the fund managers had disclosed the same in their financial statements, it is not appropriate for the Pension Fund to have a material uncertainty disclosure.</p> <p><b>Management response</b><br/>Agreed to changes. To be reflected in updated draft accounts.</p> | ✓         |
| <b>Other Formatting Issues</b> | <p>We noted that there were a number of minor formatting issues in the notes to the Pension Fund financial statements section. These comprise of the adjustments communicated to the client via A1a along with other minor issues identified from the hot review for notes 9, 10, 11 and 12.</p> <p><b>Management response</b><br/>Agreed to changes. To be reflected in updated draft accounts.</p>                                   | ✓         |

# 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.

## 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? |
|---|--|-----------|
| Notes 17 and 18   | We noted financial assumption percentages were misstated in Note 17, and CPI and RPI percentages were misstated in Note 18.<br><br><b>Management response</b><br>Agreed to changes. To be reflected in revised financial statements.   | ✓         |
| Accounting Policies – Financial Instruments Note 12             | Financial instruments policy did not reflect IFRS 9. For example, assets and liabilities are classified under different models in IFRS 9; the term Loans and Receivables is no longer applicable, it should be 'Assets at amortised cost'. Also the definition is different to that of held at amortised cost under IFRS 9, therefore should be updated in line with CIPFA Code. Note 12 categories are also not in line with IFRS 9.<br><br><b>Management response</b><br>Agreed to changes. To be reflected in revised financial statements. | ✓         |
| Accounting Standards that have been issued but not yet adopted. | Accounting Standards that have been issued but not yet adopted should disclose the expected impact on the accounts. We asked management to add the following narrative to this disclosure in the revised financial statements; 'None of the Accounting Standards that have been issued but not yet adopted will have a significant impact the financial statements.'<br><br><b>Management response</b><br>Agreed to changes. To be reflected in revised financial statements.  | ✓         |

# 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.

## 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? |
|--------------------------------------|---|-----------|
| Key Management Personnel disclosures | Key management personnel disclosures in the draft accounts, required per Code 3.9.4.2, referred to disclosures within the Buckinghamshire Council financial statements. The required disclosures must be made in full within the Fund's financial statements as they are a standalone Statement of Accounts.<br><br><b>Management response</b><br>Agreed to changes. To be reflected in revised financial statements. | ✓         |
| Note 3 - Contributions               | We expect a footnote to explain to explain the huge increase in employee contribution.<br><br><b>Management response</b><br>Agreed to changes. To be reflected in revised financial statements.   |           |



# 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<br>£'000 | Net Asset Statement<br>£' 000 | Impact on total net<br>assets £'000 | Reason for<br>not adjusting |
|---|-------------------------------|-------------------------------|-------------------------------------|-----------------------------|
| <ul style="list-style-type: none"> <li>Investment assets</li> <li>(Profit) and losses on disposal of investments and changes in value of investments</li> </ul>   | 8,939                         | -8,939                        | -8,939                              | Not material                |
| <p>An overstatement of £2.21m identified in the value of the Brunel Smaller Companies fund as a result of differences in the share price used by Buckinghamshire Pension Fund and the share price recorded on FT .com.</p> <p>We estimated the potential error in our untested residual population as an overstatement of £6.72m. This gives a total overstatement of £8.939m</p> |                               |                               |                                     |                             |
| <b>Overall impact</b>   | <b>8,939</b>                  | <b>-£8,939</b>                | <b>-£8,939</b>                      |                             |

# C. Audit Adjustments



## Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2019/20 financial statements

| Detail  | 2019-20 Pension Fund Account<br>£'000 | 2019-20 Net Asset Statement<br>£' 000 | 2019-20 Impact on total net assets<br>£'000 | Reason for not adjusting   |
|---|---------------------------------------|---------------------------------------|---|--|
| As part of our testing of investments we reconciled the 2019-20 valuations as per the custodian reports with the fund manager statements. In doing so, we discovered that a variance amounting to £10,059k was attributable to the fact that the fund managers (Partners Group and Pantheon) data was lagged so the Custodian (State Street) had used the 31 December valuation data (latest available at the time) to value the 31 March positions. Management used the Custodian's figures in preparation of the financial statements. The use of Custodian figures for accounts preparation introduces the potential overstatement of the investments in question as they are valued as at 31 December 2019 whereas the fund manager statements include the more up-to-date figures. | 10,059                                | (10,059)                              | (10,059)                                    | The overstatement of investment was below materiality and hence it was not adjusted in the accounts. |
| <b>Overall impact</b>   | <b>£10,059</b>                        | <b>(£10,059)</b>                      | <b>(£10,059)</b>                            |  |

# D. Fees

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

| <b>Audit fees</b>                          | <b>Proposed fee</b> | <b>Final fee</b> |
|--|---------------------|------------------|
| Buckinghamshire Council Pension Fund Audit | £38,000             | £47,000          |

The audit fee in the statement of accounts is £38,000. This is under accrued by £9,000 and is due to the fee variation not being finalised and is subject to approval of PSAA.

| <b>Non-audit fees for other services</b> | <b>Proposed fee</b> | <b>Final fee</b> |
|--|---------------------|------------------|
| <b>Audit Related Services</b>            |                     |                  |
| Other [IAS 19 Assurances]                | £7,000              | £8,000           |

The fees for IAS 19 the statement of accounts is £7,000. This is under accrued by £1,000.

# D. Fees

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

| Audit fees  | Estimated Fee  |
|---|----------------|
| Scale Fee   | £19,275        |
| ISA 540   | £1,900         |
| FRC challenge   | £4,375         |
| Investments valuation   | £5,900         |
| Journals testing  | £2,100         |
| Quality/Preparation issues including PPA – cash error                   | £4,450         |
| Accounts Hot Review   | £2,500         |
| Revisit and additional investment testing following revised methodology | £3,100         |
| Going concern update from 2021  | £2,000         |
| PBSE update from 2021   | £1,400         |
| <b>Total audit fees (excluding VAT)</b>                                 | <b>£47,000</b> |

# E. Audit opinion – Draft

Our audit opinion is included below. We anticipate we will provide the Pension Fund with an unmodified audit report.

## Independent auditor’s report to the members of Buckinghamshire Council on the pension fund financial statements of Buckinghamshire Council Pension Fund

### Opinion

We have audited the financial statements of Buckinghamshire Council Pension Fund (the ‘Pension Fund’) administered by Buckinghamshire Council (the ‘Authority’) for the year ended 31 March 2021 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2021 and of the amount and disposition at that date of the fund’s assets and liabilities;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) (“the Code of Audit Practice”) approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the ‘Auditor’s responsibilities for the audit of the financial statements’ section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund’s financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Service Director-Corporate finance’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor’s opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

# E. Audit opinion – Draft

In our evaluation of the Service Director- Corporate finance's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

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

In auditing the financial statements, we have concluded that the Service Director- Corporate finance's use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

The responsibilities of the Service Director- Corporate finance with respect to going concern are described in the 'Responsibilities of the Authority, Service Director- Corporate finance and Those Charged with Governance for the financial statements' section of this report.

## Other information

The Service Director- Corporate finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Pension Fund's financial statements, our auditor's report thereon, and our auditor's report on the Authority's financial statements. Our opinion on the Pension Fund's financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Pension Fund's financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Fund's financial statements or our knowledge of the Pension Fund obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Pension Fund financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

# E. Audit opinion – Draft

## Opinion on other matter required by the Code of Audit Practice (2020) published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the Pension Fund's financial statements and our knowledge of the Pension Fund, the other information published together with the Pension Fund's financial statements in the Statement of Accounts, for the financial year for which the financial statements are prepared is consistent with the Pension Fund financial statements.

### Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters in relation to the Pension Fund.

## Responsibilities of the Authority, the Service Director- Corporate finance and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 3, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Service Director- Corporate finance. The Service Director- Corporate finance is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Service Director- Corporate finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pension Fund's financial statements, the Service Director- Corporate finance is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Pension Fund will no longer be provided.

The Audit and Governance Committee is Those Charged with Governance for the Pension Fund. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

# E. Audit opinion – Draft

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

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Public Service Pensions Act 2013, The Local government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.
- We enquired of senior officers and the Audit and Governance Committee, concerning the Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit and Governance Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:



# E. Audit opinion – Draft

- The pressure on management in terms of how they report performance. The Fund faces external scrutiny of its spending and stewardship of funds, and this could potentially place management under undue pressure. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk. Therefore, the journals we selected for testing were identified based on the risk assessment configuration and the weighted risk calculation. For this purpose, we used our judgement to assign a numerical value (score) to each transaction. Transactions which are analysed as being higher risk were assigned a higher score. These higher risk transactions were then tested to identify any potential management bias. We found no instances of management bias as a result of our testing .
  - Our audit procedures involved:
    - evaluation of the design effectiveness of controls that the Service Director- Corporate finance has in place to prevent and detect fraud;
    - journal entry testing, with a focus on journals having characteristics which indicate potential management bias;
    - challenging assumptions and judgements made by management in its significant accounting estimates in respect of level 3 investments and IAS 26 pensions liability valuations;
    - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
  - These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and
  - Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.
    - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
    - knowledge of the local government pensions sector
    - understanding of the legal and regulatory requirements specific to the Pension Fund including:
      - the provisions of the applicable legislation
      - guidance issued by CIPFA, LASAAC and SOLACE
      - the applicable statutory provisions.
  - In assessing the potential risks of material misstatement, we obtained an understanding of:
    - the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
    - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework .

# E. Audit opinion – Draft

## Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Mark Stocks, Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor  
London

[Date]

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# F. Management Letter of Representation – To Follow

To Follow

To Follow

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## Report to Pension Fund Committee

**Date:** 5<sup>th</sup> July 2023

**Reference number:** N/A

**Title:** Buckinghamshire Pension Fund Draft Accounts to 31<sup>st</sup> March 2023

**Relevant councillor(s):** N/A

**Author and/or contact officer:** Julie Edwards, Pensions & Investments Manager

**Ward(s) affected:** Not applicable

**Recommendations:** The Committee is asked to review the draft Statement of Accounts for Buckinghamshire Pension Fund for the year ended 31<sup>st</sup> March 2023.

### Executive Summary

1.1 The draft unaudited Statement of Accounts for the Buckinghamshire Pension Fund for the year ended 31<sup>st</sup> March 2023 is attached as Appendix 1. The Pension Fund Accounts and Net Assets Statement show that in the year to 31<sup>st</sup> March 2023 the value of the Buckinghamshire Pension Fund decreased by £171m to £3.742bn.

### Content of report

1.2 The Pension Fund Accounts and Net Assets Statement show that in the year to 31<sup>st</sup> March 2023 the value of the Pension Fund decreased by £171m to £3.742bn. This is the net result of the contributions made (£189m) including transfers in from other pension schemes, employers' and employees' contributions; payments out £150m including pensions, commutations, lump sum retirement benefit and death benefits; management expenses £22m plus net returns on investments £189m.

1.3 The table below summarises the income, expenditure and returns on investments for the financial years 2021/22 and 2022/23:

| <b>31 March 2022</b> |                                       | <b>31 March 2023</b> |
|----------------------|---------------------------------------|----------------------|
| <b>£000</b>          |                                       | <b>£000</b>          |
| <b>(3,638,265)</b>   | <b>Value 1st April</b>                | <b>(3,913,161)</b>   |
| (168,510)            | Income                                | (189,490)            |
| 127,601              | Benefits                              | 132,997              |
| 16,708               | Payments to and on Account of Leavers | 17,353               |
| 17,136               | Management expenses                   | 21,820               |
| (267,831)            | Returns on Investments                | 188,608              |
| <b>(3,913,161)</b>   | <b>Value 31st March</b>               | <b>(3,741,873)</b>   |

1.4 The audit of the Buckinghamshire Pension Fund draft Statement of Accounts will commence remotely by Grant Thornton on 1<sup>st</sup> August 2023. A further report, incorporating the findings of Grant Thornton will be brought to this Committee at a future meeting. The finalised Statement of Accounts will be approved by the Chairman of the Audit and Governance Committee and the Section 151 Officer following the audit and consideration of the auditor's report at the Audit and Governance Committee. The formal sign off for the Buckinghamshire Pension Fund Statement of Accounts for the year ended 31<sup>st</sup> March 2023 will take place at the same time as the formal sign off for Buckinghamshire Council accounts which is anticipated to be during 2024.

### **Other options considered**

1.5 Not applicable.

### **Legal and financial implications**

1.6 There are none arising directly from this report.

### **Corporate implications**

1.7 Not applicable.

### **Consultation and communication**

1.8 Not applicable.

## **Background Papers**

1.9 Not applicable.

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# Buckinghamshire Pension Fund

## Statement of Accounts

For the year ended 31 March 2023

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## 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 (Section 151);
- 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 (Section 151) Responsibilities

The Service Director of Finance (Section 151) 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 2022/23 (the Code).

In preparing this Statement of Accounts, the Service Director of Finance (Section 151) 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 (Section 151)

I certify that this Statement of Accounts for the year ended 31 March 2023 gives a true and fair view of the financial position of the Buckinghamshire Pension Fund as at 31 March 2023 and its income and expenditure for the year ending 31 March 2023.

**David Skinner**  
**Service Director of Finance (Section 151)**  
**Buckinghamshire Council**  
**Insert date**

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

## Pension Fund Accounts

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

| <b>31 March<br/>2022<br/>£000</b> | <b>Buckinghamshire Pension Fund Account</b>  | <b>Note</b> | <b>31 March<br/>2023<br/>£000</b> |
|-----------------------------------|--|-------------|-----------------------------------|
|                                   | <b>Dealings with Members, Employers and Others directly Involved in the Fund</b>               |             |                                   |
|                                   | <b>Income</b>  |             |                                   |
| (151,882)                         | Contributions  | 3           | (165,961)                         |
| (16,524)                          | Transfers in from other pension funds  | 4           | (23,383)                          |
| (104)                             | Other income   |             | (146)                             |
| <b>(168,510)</b>                  |  |             | <b>(189,490)</b>                  |
|                                   | <b>Benefits</b>  | 5           |                                   |
| 103,893                           | Pensions   |             | 109,826                           |
| 23,708                            | Commutation of pensions and lump sums  |             | 23,171                            |
|                                   | <b>Payments to and on Account of Leavers</b>   | 6           |                                   |
| 521                               | Refunds of contributions   |             | 1,163                             |
| 16,187                            | Transfers out to other pension funds   |             | 16,190                            |
| <b>144,309</b>                    |  |             | <b>150,350</b>                    |
| <b>(24,201)</b>                   | <b>Net (Additions)/Withdrawals from Dealings with Members</b>                                  |             | <b>(39,140)</b>                   |
| <b>17,136</b>                     | <b>Management expenses</b>   | 7           | <b>21,820</b>                     |
| <b>(7,065)</b>                    | <b>Net (Additions)/Withdrawals including Fund Management Expenses</b>                          |             | <b>(17,320)</b>                   |
|                                   | <b>Returns on Investments</b>  |             |                                   |
| (14,719)                          | Investment income  | 8           | (14,581)                          |
| (253,112)                         | (Profits) and losses on disposal of investments and changes in the market value of investments | 9           | 203,188                           |
| 0                                 | Taxes on income  | 14          | 1                                 |
| <b>(267,831)</b>                  | <b>Net Returns on Investments</b>  |             | <b>188,608</b>                    |
| <b>(274,896)</b>                  | <b>Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year</b>        |             | <b>171,288</b>                    |

## Net assets statement

| 31 March<br>2022 | Net Assets Statement   | Note | 31 March<br>2023 |
|------------------|--|------|------------------|
| £000             |  |      | £000             |
|                  |  |      |                  |
|                  | <b>Investments</b>   |      |                  |
| 840              | Long term investments  | 9    | 840              |
| 295              | Equities - quoted  | 9    | 169              |
| 3,525,017        | Pooled investment vehicles   | 9    | 3,442,292        |
| 243,766          | Property - unit trusts   | 9    | 209,235          |
| 132,073          | Cash deposits  | 9    | 68,673           |
| 391              | Investment income receivable   | 9    | 518              |
|                  |  |      |                  |
| <b>3,902,382</b> | <b>Net Investments</b>   | 11   | <b>3,721,727</b> |
| <b>15,225</b>    | Current assets   | 15   | <b>24,251</b>    |
| <b>(4,446)</b>   | Current liabilities  | 15   | <b>(4,105)</b>   |
| <b>3,913,161</b> | <b>Net Assets of the Fund Available to Fund Benefits at 31 March</b> |      | <b>3,741,873</b> |
|                  |  |      |                  |

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 and Milton Keynes Fire Authority, 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 1/49<sup>th</sup>. 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 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 2023 the collective assets transitioned to Brunel portfolios were circa £30.765 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 most 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](http://www.brunelpensionpartnership.org)

The following summarises the membership of the Fund:

| <b>Membership of the Fund</b>       | <b>31 March 2022</b> | <b>31 March 2023</b> |
|-------------------------------------|----------------------|----------------------|
| Contributors                        | 25,717               | 25,127               |
| Pensioners                          | 21,982               | 22,768               |
| Deferred pensioners                 | 32,234               | 33,078               |
| <b>Total Membership of the Fund</b> | <b>79,933</b>        | <b>80,973</b>        |

### 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 Buckinghamshire 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 2022/23 financial year and its position at year end as at 31 March 2023. 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 Buckinghamshire 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 in the Fund Actuary's Rates and Adjustment certificate for the period to which they relate.

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**

There are no critical judgements in applying accounting policies to be disclosed in the Statement of Accounts.

### **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 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 2023 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. | <p>The effects on the net pension liability of changes in individual assumptions can be measured. For instance:</p> <p>A 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £67m.</p> <p>A 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £4m.</p> <p>A 0.1% increase in pension increases and deferred revaluation would increase the value of the liabilities by approximately £66m.</p> <p>A one-year increase in assumed life expectancy would increase the liability by approximately £146m.</p> |
| Level 2 investments (Note 12)                                     | Level 2 investments are not traded on an open market. Management use fund managers to determine valuations using recognised pricing techniques.  | The Brunel Smaller Companies equity portfolio is valued at £179.620m in the financial statements. There is a risk that this investment may be under or overstated in the accounts by £42.211m. A movement of 23.5% in market price risk is reasonably possible.   |
| Level 3 investments (Note 12)                                     | Level 3 investments are valued at fair value in accordance with 'International Private Equity and Venture Capital Valuation Guidelines'. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.  | Level 3 investments are valued at £501.558m in the financial statements. There is a risk that this investment may be under or overstated in the accounts by £106.632m. A movement of 21.26% in market price risk is reasonably possible.  |

### Events After the Reporting Date

There have been no events since 31 March 2023, and up to the date when these accounts were authorised that require any adjustments to these accounts. Recent market turmoil has impacted global financial markets. As at the end of *(date to be inserted when accounts are approved)*, investments are

valued overall at £x.xxx billion a *(state lower or higher)* value than in these financial statements as at 31 March 2023.

**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 2023 have been included in these accounts, there were no augmented employers’ contributions received during 2021/22 or 2022/23.

| 2021/2022<br>£000 | Contributions by Category             | 2022/2023<br>£000 |
|-------------------|---------------------------------------|-------------------|
|                   | <b>Employers’ Contributions</b>       |                   |
| (100,396)         | Normal Contributions                  | (109,489)         |
| (16,337)          | Deficit Recovery Contributions        | (18,242)          |
| <b>(116,733)</b>  | <b>Total Employers’ Contributions</b> | <b>(127,731)</b>  |
| <b>(35,149)</b>   | <b>Members’ Contributions</b>         | <b>(38,230)</b>   |
| <b>(151,882)</b>  | <b>Total Contributions</b>            | <b>(165,961)</b>  |

| 2021/2022<br>£000 | Contributions by Authority | 2022/2023<br>£000 |
|-------------------|----------------------------|-------------------|
| (60,766)          | Administering authority    | (62,616)          |
| (87,664)          | Scheduled bodies           | (100,313)         |
| (3,452)           | Admitted bodies            | (3,032)           |
| <b>(151,882)</b>  | <b>Total Contributions</b> | <b>(165,961)</b>  |

The increase in contributions reflects the impact of pay awards and a prior year accounting error for a large scheduled body.

**Note 4 - Transfer Values**

| <b>2021/2022<br/>£000</b> | <b>Transfers in from other pension funds</b>       | <b>2022/2023<br/>£000</b> |
|---------------------------|--|---------------------------|
| (167)                     | Group transfers                                    | 0                         |
| (16,357)                  | Individual transfers                               | (23,383)                  |
| <b>(16,524)</b>           | <b>Total Transfers in from other pension funds</b> | <b>(23,383)</b>           |

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 2023 there were thirty-one transfer values receivable greater than £50k, for which £3.603m had not been received. (On 31 March 2022 there were twenty-three transfer values receivable greater than £50k, for which £2.899m had not been received).

On 31 March 2023 there was one group transfer to the Fund being negotiated with another fund (no group transfers to the Fund being negotiated on the 31 March 2022). Calculations have not yet been carried out for the transfer.

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.

| <b>2021/2022<br/>£000</b> | <b>Benefits Payable by Category</b>                       | <b>2022/2023<br/>£000</b> |
|---------------------------|---|---------------------------|
| 103,893                   | Pensions  | 109,826                   |
| 20,223                    | Commutations of pensions and lump sum retirement benefits | 19,875                    |
| 3,485                     | Lump sum death benefits                                   | 3,296                     |
| <b>127,601</b>            | <b>Total Benefits</b>                                     | <b>132,997</b>            |

| <b>2021/2022<br/>£000</b> | <b>Benefits Payable by Authority</b> | <b>2022/2023<br/>£000</b> |
|---------------------------|--------------------------------------|---------------------------|
| 63,467                    | Administering authority              | 64,990                    |
| 53,877                    | Scheduled bodies                     | 57,820                    |
| 10,257                    | Admitted bodies                      | 10,187                    |
| <b>127,601</b>            | <b>Total Benefits</b>                | <b>132,997</b>            |

**Note 6 - Payments to and on Account of Leavers**

| <b>2021/2022<br/>£000</b> | <b>Payments to and on Account of Leavers</b> | <b>2022/2023<br/>£000</b> |
|---------------------------|--|---------------------------|
| 521                       | Refunds to members leaving service           | 1,163                     |

|               |  |               |
|---------------|--|---------------|
| 62            | Group transfers to other pension funds             | 302           |
| 16,125        | Individual transfers to other pension funds        | 15,888        |
| <b>16,708</b> | <b>Total Payments to and on Account of Leavers</b> | <b>17,353</b> |

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 2023 there were seventeen transfer values where the amount was greater than £50k, for which £1,402k had not been paid during 2022/23 (on 31 March 2022 there were eleven transfer values receivable greater than £50k, for which £800k had not been paid during 2021/22).

On 31 March 2023 there was one group transfer out from the Fund to other Pension Funds being negotiated, the value of the transfer £85k has been accrued. There was one on the 31 March 2022 where the £2,556k value was accrued.

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

### Note 7 - Management Expenses

| 2021/2022     | Management Expenses              | 2022/2023     |
|---------------|----------------------------------|---------------|
| £000          |                                  | £000          |
| 2,397         | Administrative costs             | 2,792         |
| 14,008        | Investment management expenses   | 18,309        |
| 731           | Oversight and governance costs   | 719           |
| <b>17,136</b> | <b>Total Management Expenses</b> | <b>21,820</b> |

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 £46.05k for the external audit main fee and £8k for the IAS19 assurance letters for scheduled bodies. In 2021/22 the external audit main fee was £36.45k and the fee for the IAS19 assurance letters for scheduled bodies was £8k.

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. There were no performance related fees in the investment management expenses (£1.070m in the 2021/2022 financial year) in respect of performance related fees payable to the Fund's investment managers. It also includes £6,268k in respect of transaction costs (£363k in the 2021/2022 financial year).

### Note 8 - Investment Income

In recent years there has been a decrease in investment income due to the transition of the Fund's segregated holdings to Brunel pooled funds. Investment income is accumulated within the fund and is accounted for in the market value change rather than investment income.

| 2021/2022       | Investment Income                | 2022/2023       |
|-----------------|----------------------------------|-----------------|
| £000            |                                  | £000            |
| 746             | Dividends from equities          | 62              |
| (4,216)         | Income from bonds                | 242             |
| (2,695)         | Income from pooled investments   | (5,906)         |
| (8,330)         | Income from property unit trusts | (6,984)         |
| (215)           | Interest on cash deposits        | (1,997)         |
| (9)             | Other                            | 2               |
| <b>(14,719)</b> | <b>Total Investment Income</b>   | <b>(14,581)</b> |

### 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 2022/2023 the Buckinghamshire Pension Fund reported a decrease in the market value of investments of £203.188m.

| Investments<br>(All values<br>are shown<br>£000) | Value at<br>31 March<br>2022<br>£000 | Purchases<br>at Cost<br>£000 | Sales<br>Proceeds<br>£000 | Change in<br>Market<br>Value<br>£000 | Value at<br>31 March<br>2023<br>£000 |
|--|--------------------------------------|------------------------------|---------------------------|--------------------------------------|--------------------------------------|
| Long term investments                            | 840                                  | 0                            | 0                         | 0                                    | 840                                  |
| Equities - quoted                                | 295                                  | 215                          | (289)                     | (52)                                 | 169                                  |
| Bonds  | 0                                    | 0                            | 41                        | (41)                                 | 0                                    |
| Pooled investment vehicles                       | 3,525,017                            | 207,317                      | (123,556)                 | (166,486)                            | 3,442,292                            |
| Property - unit trusts                           | 243,766                              | 45,958                       | (43,578)                  | (36,911)                             | 209,235                              |
|  | <b>3,769,918</b>                     | <b>253,490</b>               | <b>(167,382)</b>          | <b>(203,490)</b>                     | <b>3,652,536</b>                     |
| Cash deposits                                    | 132,073                              |                              |                           | 302                                  | 68,673                               |
| Investment income due                            | 391                                  |                              |                           |                                      | 518                                  |
|  | <b>3,902,382</b>                     |                              |                           | <b>(203,188)</b>                     | <b>3,721,727</b>                     |



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

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

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
- Infrastructure
- Private debt
- 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 also shown:

| <b>Fund Manager/Mandate</b>                                   | <b>Proportion of Fund<br/>31 March 2022<br/>£000</b> | <b>%</b>  | <b>Proportion of Fund<br/>31 March 2023<br/>£000</b> | <b>%</b>   |
|---|--|-----------|--|------------|
| <b>Investments managed by Brunel</b>                          |  |           |  |            |
| Low Volatility Equity   | 288,918  | 8         | 271,655  | 7          |
| Passive Developed Equity                                      | 670,843  | 18        | 646,380  | 17         |
| Emerging Markets Equity                                       | 175,087  | 5         | 166,081  | 4          |
| Global High Alpha Equity                                      | 628,127  | 16        | 630,793  | 17         |
| Smaller Companies Equity                                      | 184,846  | 5         | 179,620  | 5          |
| Multi-Asset Credit  | 359,637  | 10        | 347,289  | 9          |
| Passive Index Linked Gilts                                    | 386,603  | 10        | 310,040  | 8          |
| Infrastructure  | 113,510  | 3         | 248,035  | 7          |
| Private Debt  | 22,664   | 0         | 73,611   | 2          |
| Private Equity  | 66,183   | 2         | 100,429  | 3          |
| Property – unit trusts  | 272,175  | 7         | 240,674  | 7          |
| Sterling Corporate Bonds                                      | 399,464  | 9         | 356,822  | 10         |
| Cash  | 1,915  | 0         | 3,015  | 0          |
| <b>Total Investments managed by Brunel</b>                    | <b>3,569,972</b>                                     |           | <b>3,574,444</b>                                     | <b>96</b>  |
| <b>Investments managed by the Fund</b>                        |  |           |  |            |
| Long term investments   | 0  | 0         | 840  | 0          |
| BlackRock -Cash/inflation plus                                | 4  | 0         | 4  | 0          |
| Blackstone Alternative Asset Management - Hedge fund of funds | 4,464  | 0         | 0  | 0          |
| Investec Asset Management- Less constrained global equities   | 120  | 0         | 0  | 0          |
| Legal & General Investment Management – Passive index-tracker | 133,807  | 4         | 39,647   | 1          |
| Pantheon Private Equity- Private equity                       | 84,595   | 2         | 63,823   | 2          |
| Partners Group- Private equity                                | 10,880   | 0         | 8,067  | 0          |
| Royal London Asset Management- Core plus bonds                | 919  | 0         | 0  | 0          |
| Schroders- Less constrained global equities                   | 1,820  | 0         | 194  | 0          |
| Aberdeen Standard Investments – Less constrained UK equities  | 127  | 0         | 0  | 0          |
| GTP   | 377  | 0         | 207  | 0          |
| Hg Capital  | 1,033  | 0         | 1  | 0          |
| Cash  | 0  | 0         | 34,500   | 1          |
| <b>Total Investments managed by the Fund</b>                  | <b>238,146</b>                                       |           | <b>147,283</b>                                       | <b>4</b>   |
| <b>Total</b>  | <b>3,808,118</b>                                     | <b>98</b> | <b>3,721,727</b>                                     | <b>100</b> |

**Note 11 - Analysis of the Value of Investments**

| <b>31 March 2022 £000</b> | <b>Analysis of the Value of Investments</b> | <b>31 March 2023 £000</b> |
|---------------------------|---|---------------------------|
| <b>840</b>                | <b>Long Term Investments</b>                | <b>840</b>                |
|                           | <b>Equities</b>                             |                           |
| 141                       | UK quoted                                   | 102                       |
| 154                       | Overseas quoted                             | 67                        |
| <b>295</b>                | <b>Total Equities</b>                       | <b>169</b>                |
|                           |   |                           |
|                           | <b>Pooled Investment Vehicles</b>           |                           |
| 1,947,821                 | Overseas Equity                             | 1,894,530                 |
| 117,519                   | Overseas Infrastructure                     | 251,271                   |
| 533,271                   | Fixed Interest Securities                   | 396,469                   |
| 386,603                   | Index linked gilts                          | 310,040                   |
| 359,637                   | Multi-Asset Credit                          | 347,289                   |
| 22,664                    | Overseas Private Debt                       | 73,611                    |
| 157,502                   | Overseas Private Equity                     | 169,082                   |
| <b>3,525,017</b>          | <b>Total Pooled Investment vehicles</b>     | <b>3,442,292</b>          |
|                           |   |                           |
|                           | <b>Other</b>                                |                           |
| 243,766                   | Property - unit trusts                      | 209,235                   |
| 132,073                   | Cash deposits – sterling and foreign cash   | 68,673                    |
| 391                       | Investment Income receivable                | 518                       |
| <b>376,230</b>            | <b>Total Other</b>                          | <b>278,426</b>            |
| <b>3,902,382</b>          | <b>Total Value of Investments</b>           | <b>3,721,727</b>          |

**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:

Buckinghamshire Pension Fund Accounts

| 31 March<br>2022                            |   |   |                                 | 31 March<br>2023                            |   |  |
|---|---|---|---------------------------------|---|---|--|
| Fair value<br>through<br>profit and<br>loss | Financial<br>Assets at<br>Amortised<br>Cost | Financial<br>Liabilities<br>at<br>Amortised<br>Cost | Financial Assets                | Fair value<br>through<br>profit and<br>loss | Financial<br>Assets at<br>Amortised<br>Cost | Financial<br>Liabilities at<br>amortised<br>cost |
| £000  | £000  | £000  |                                 | £000  | £000  | £000   |
| <b>840</b>                                  |   |   | <b>Long Term Investments</b>    | <b>840</b>                                  |   |  |
| 295   |   |   | Equities                        | 169   |   |  |
| 243,766                                     |   |   | Property – unit trusts          | 209,235                                     |   |  |
|   |   |   | <b>Pooled investments:</b>      |   |   |  |
| 533,271                                     |   |   | Fixed interest securities       | 396,469                                     |   |  |
| 1,947,821                                   |   |   | Equities                        | 1,894,530                                   |   |  |
| 386,603                                     |   |   | Index Linked Gilts              | 310,040                                     |   |  |
| 117,519                                     |   |   | Infrastructure                  | 251,271                                     |   |  |
| 359,637                                     |   |   | Multi-Asset Credit              | 347,289                                     |   |  |
| 22,664                                      |   |   | Private Debt                    | 73,611                                      |   |  |
| 157,502                                     |   |   | Private Equity                  | 169,082                                     |   |  |
| 391   |   |   | Investment Income<br>receivable | 518   |   |  |
| 111,285                                     | 20,788                                      |   | Cash deposits                   | 83,106                                      |   |  |
|   | 5,214                                       |   | Current assets                  |   | 12,816                                      |  |
| <b>3,881,594</b>                            | <b>26,002</b>                               |   |                                 | <b>3,736,160</b>                            | <b>12,816</b>                               |  |
|   |   |   | <b>Financial Liabilities</b>    |   |   |  |
|   |   |   | Cash deposits                   |   | (14,434)                                    |  |
|   |   | (3,247)   | Current liabilities             |   |   | (2,840)  |
|   |   | <b>(3,247)</b>                                      |                                 |   | <b>(14,434)</b>                             | <b>(2,840)</b>                                   |
| <b>3,881,594</b>                            | <b>26,002</b>                               | <b>(3,247)</b>                                      | <b>Total</b>                    | <b>3,736,160</b>                            | <b>(1,618)</b>                              | <b>(2,840)</b>                                   |
|   |   | <b>3,904,349</b>                                    |                                 |   |   | <b>3,731,702</b>                                 |

| 31 March 2022<br>£000 | Reconciliation to Net Assets of the Fund Available to Fund<br>Benefits at 31 March in the Net Assets Statement | 31 March 2023<br>£000 |
|-----------------------|--|-----------------------|
| 3,913,170             | Net Investments  | 3,741,873             |
| (10,020)              | Less contributions due current assets  | (11,435)              |
| 0                     | Less rounding error  | (1)                   |
| 1,199                 | Add HMRC current liabilities   | 1,265                 |
| <b>3,904,349</b>      | <b>Value of financial instruments carried at fair value</b>  | <b>3,731,702</b>      |

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

| 31 March 2022<br>£000 |  | 31 March 2023<br>£000 |
|-----------------------|--|-----------------------|
|                       | <b>Financial Assets</b>                          |                       |
| (253,112)             | Fair value through profit and loss               | 203,188               |
| 0                     | Financial Assets measured at amortised cost      | 0                     |
| 0                     | Financial liabilities measured at amortised cost | 0                     |
|                       |  |                       |
|                       | <b>Financial Liabilities</b>                     |                       |
| 0                     | Fair value through profit and loss               | 0                     |
| 0                     | Financial Assets measured at amortised cost      | 0                     |
| 0                     | Financial liabilities measured at amortised cost | 0                     |
| <b>(253,112)</b>      | <b>Total</b>                                     | <b>203,188</b>        |

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:

| <b>Value at 31 March 2023</b> | <b>Quoted Market Price Level 1<br/>£000</b> | <b>Using Observable Inputs Level 2<br/>£000</b> | <b>With Significant Unobservable Outputs Level 3<br/>£000</b> | <b>Total £000</b> |
|-------------------------------|---|---|---|-------------------|
| Long term investments         | 0   | 0   | 840   | 840               |
| Equities                      | 169   | 0   | 0   | 169               |
| Fixed interest securities     | 0   | 396,469   | 0   | 396,469           |
| Index-linked gilts            | 0   | 310,040   | 0   | 310,040           |
| Equities                      | 0   | 1,894,530                                       | 0   | 1,894,530         |
| Infrastructure                | 0   | 0   | 251,271   | 251,271           |
| Multi-Asset Credit            | 0   | 347,289   | 0   | 347,289           |
| Private Debt                  | 0   | 0   | 73,611  | 73,611            |
| Private Equity                | 0   | 0   | 169,082   | 169,082           |
| Property – unit trusts        | 0   | 202,481   | 6,754   | 209,235           |
| Cash Instruments              | 0   | 83,106  | 0   | 83,106            |
| <b>Total</b>                  | <b>169</b>                                  | <b>3,233,915</b>                                | <b>501,558</b>  | <b>3,735,642</b>  |

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.

| <b>Reconciliation to Net Investments in the 31 March 2023 Net Assets Statement</b> | <b>31 March 2023<br/>£000</b> |
|--|-------------------------------|
| Net Investments  | 3,721,727                     |
| Add Cash deposits  | 14,434                        |
| Less rounding error  | (1)                           |
| Less investment income receivable  | (518)                         |
| <b>Valuation of Financial Instruments carried at fair value</b>                    | <b>3,735,642</b>              |

| <b>Value at 31 March 2022</b> | <b>Quoted<br/>Market Price<br/>Level 1<br/>£000</b> | <b>Using<br/>Observable<br/>Inputs<br/>Level 2<br/>£000</b> | <b>With Significant<br/>Unobservable<br/>Outputs<br/>Level 3<br/>£000</b> | <b>Total £000</b> |
|-------------------------------|---|---|---|-------------------|
| 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           |
| <b>Total</b>                  | <b>295</b>  | <b>3,580,447</b>  | <b>300,461</b>  | <b>3,881,203</b>  |

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.

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

**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 on 31 March 2023 and 31 March 2022.

|                        | <b>Assessed valuation range (+/-)</b> | <b>Value at 31 March 2023<br/>£000</b> | <b>Value on increase<br/>£000</b> | <b>Value on decrease<br/>£000</b> |
|------------------------|---------------------------------------|--|-----------------------------------|-----------------------------------|
| Long term investments  | 23.5%                                 | 840                                    | 1,037                             | 643                               |
| Infrastructure         | 18.5%                                 | 251,271                                | 297,756                           | 204,786                           |
| Private Debt           | 16.1%                                 | 73,611                                 | 85,462                            | 61,760                            |
| Private Equity         | 27.7%                                 | 169,082                                | 215,918                           | 122,246                           |
| Property – unit trusts | 18.7%                                 | 6,754                                  | 8,017                             | 5,491                             |
| <b>Total</b>           |                                       | <b>501,558</b>                         | <b>608,190</b>                    | <b>394,926</b>                    |

|                        | <b>Assessed valuation range (+/-)</b> | <b>Value at 31 March 2022<br/>£000</b> | <b>Value on increase<br/>£000</b> | <b>Value on decrease<br/>£000</b> |
|------------------------|---------------------------------------|--|-----------------------------------|-----------------------------------|
| Long term investments* | 20.6%*                                | 840*                                   | 1,013*                            | 667*                              |
| 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                             |
| <b>Total</b>           |                                       | <b>300,461*</b>                        | <b>366,046*</b>                   | <b>234,876*</b>                   |

\*Restated

**Reconciliation of Fair Value Measurements Within Level 3**

| <b>Investments (All values are shown £000)</b> | <b>Value at 31 March 2022<br/>£000</b> | <b>Purchases<br/>£000</b> | <b>Sales<br/>£000</b> | <b>Realised profit/(loss)<br/>£000</b> | <b>Unrealised profit/(loss)<br/>£000</b> | <b>Value at 31 March 2023<br/>£000</b> |
|--|--|---------------------------|-----------------------|--|--|--|
| Infrastructure                                 | 117,519                                | 121,479                   | (10,156)              | 1,059                                  | 21,370                                   | 251,271                                |
| Private debt                                   | 22,664                                 | 52,732                    | (301)                 | 0                                      | (1484)                                   | 73,611                                 |
| Private equity                                 | 157,502                                | 33,106                    | (19,213)              | 13,863                                 | (16,176)                                 | 169,082                                |
| Property – unit trusts                         | 1,936                                  | 5,090                     | (414)                 | 120                                    | 22                                       | 6,754                                  |
|  | <b>299,621</b>                         | <b>212,407</b>            | <b>(30,084)</b>       | <b>15,042</b>                          | <b>3,732</b>                             | <b>500,718</b>                         |



| 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                       |
|   | <b>166,627</b>              | <b>134,369</b> | <b>(44,045)</b> | <b>32,327</b>               | <b>10,343</b>                 | <b>299,621</b>              |

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

**Fixed interest securities – level 2 - Brunel £356.822m and LGIM £39.647m – total £396.469m**

**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 £310.040m**

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 £646.380m, Active Global High Alpha Equity £630.793m, Active Global Emerging Markets Equity £166.081m, Active Low Volatility Equity £271.656m and Active Smaller Companies Equity £179.620m 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 £248.035m and Partners Group £3.236m – total £251.271m**

**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 £347.289m**

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 £73.611m**

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 £100.429m, Pantheon £63.823m and Partners Group £4.83m – Total - £169.082m****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 £202.481m and level 3 £6.754m – Total £209.235m**

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 Buckinghamshire 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 Buckinghamshire Pension Fund Committee. The Buckinghamshire Pension Fund Risk Assessment analyses the risks faced by the Council's pensions operations, it is reviewed regularly by the Buckinghamshire 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 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 because 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 2022/2023. The analysis assumes 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:

| <b>Asset Type</b>            | <b>31 March 2023<br/>£000</b> | <b>Percentage<br/>Change %</b> | <b>Value on<br/>increase £000</b> | <b>Value on<br/>decrease<br/>£000</b> |
|------------------------------|-------------------------------|--------------------------------|-----------------------------------|---------------------------------------|
| Long term investments        | 840                           | 23.5%                          | 1,037                             | 643                                   |
| Equities                     | 1,894,699                     | 21.62%                         | 2,304,333                         | 1,485,065                             |
| Fixed interest securities    | 396,469                       | 6.85%                          | 423,627                           | 369,311                               |
| Index linked gilts           | 310,040                       | 9.0%                           | 337,944                           | 282,136                               |
| Overseas infrastructure      | 251,271                       | 18.5%                          | 297,756                           | 204,786                               |
| Multi-asset credit           | 347,289                       | 12.9%                          | 392,089                           | 302,489                               |
| Private debt                 | 73,611                        | 16.1%                          | 85,462                            | 61,760                                |
| Private equity               | 169,082                       | 27.7%                          | 215,918                           | 122,246                               |
| Property - unit trusts       | 209,235                       | 18.7%                          | 248,362                           | 170,108                               |
| Cash deposits                | 68,673                        | 0.9%                           | 69,291                            | 68,055                                |
| Investment income receivable | 518                           | 21.7%                          | 630                               | 406                                   |
| <b>Total</b>                 | <b>3,721,727</b>              |                                | <b>4,376,449</b>                  | <b>3,067,005</b>                      |

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. The analysis assumes 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<br>£000 | Percentage<br>Change % | Value on<br>increase £000 | Value on<br>decrease<br>£000 |
|------------------------------|-----------------------|------------------------|---------------------------|------------------------------|
| Long term investments        | 840                   | 20.6%                  | 1,013                     | 667                          |
| Equities                     | 1,948,116             | 20.82673%*             | 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                          |
| <b>Total</b>                 | <b>3,902,382</b>      |                        | <b>4,490,337</b>          | <b>3,314,427</b>             |

\*Restated

### 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 31 March:

| 31 March 2023 exposure to interest rate risk | Asset Value<br>£000 | Value after impact<br>of 1% increase in<br>interest rates £000 | Value after impact<br>of 1% decrease in<br>interest rates £000 |
|--|---------------------|--|--|
| Cash and cash equivalents                    | 80,699              | 80,699   | 80,699   |
| Fixed interest securities                    | 396,469             | 400,434  | 392,504  |
| Index linked gilts                           | 310,040             | 310,040  | 310,040  |
| <b>Total</b>                                 | <b>787,208</b>      | <b>791,173</b>   | <b>783,243</b>   |

| <b>31 March 2022 exposure to interest rate risk</b> | <b>Asset Value<br/>£000</b> | <b>Value after impact<br/>of 1% increase in<br/>interest rates £000</b> | <b>Value after impact<br/>of 1% decrease in<br/>interest rates £000</b> |
|---|-----------------------------|---|---|
| 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   |
| <b>Total</b>  | <b>1,055,644</b>            | <b>1,060,977</b>  | <b>1,050,311</b>  |

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

| <b>2022/2023 exposure to interest rate risk</b> | <b>Interest<br/>receivable £000</b> | <b>Impact of 1%<br/>increase £000</b> | <b>Impact of 1%<br/>decrease £000</b> |
|---|-------------------------------------|---------------------------------------|---------------------------------------|
| Cash and cash equivalents                       | 1,997                               | 2,017                                 | 1,977                                 |
| <b>Total</b>                                    | <b>1,997</b>                        | <b>2,017</b>                          | <b>1,977</b>                          |
| <b>2021/2022 exposure to interest rate risk</b> | <b>Interest<br/>receivable £000</b> | <b>Impact of 1%<br/>increase £000</b> | <b>Impact of 1%<br/>decrease £000</b> |
| Cash and cash equivalents                       | 215                                 | 217                                   | 213                                   |
| Fixed interest bonds                            | 4,216                               | 4,258                                 | 4,174                                 |
| Index linked gilts                              | 0                                   | 0                                     | 0                                     |
| <b>Total</b>                                    | <b>4,431</b>                        | <b>4,475</b>                          | <b>4,387</b>                          |

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 an 8.21% movement in exchange rates in either direction for 31 March 2023. This analysis assumes that all variables, in particular interest rates, remain constant. Based on the composition of the Fund’s currency exposure an 8.21% fluctuation in the currency is considered reasonable. An 8.21% weakening or strengthening of Sterling against the various currencies on 31 March 2023 would have increased or decreased the net assets by the amount shown below:

| Currency Exposure by Asset Type | 31 March 2023<br>£000 | Value on increase<br>£000 | Value on decrease<br>£000 |
|---------------------------------|-----------------------|---------------------------|---------------------------|
|                                 |                       | <b>+8.21%</b>             | <b>-8.21%</b>             |
| Equities – quoted               | 1,775,217             | 1,920,962                 | 1,629,472                 |
| Infrastructure                  | 24,631                | 26,653                    | 22,609                    |
| Overseas Private Equity         | 163,696               | 177,135                   | 150,257                   |
| Cash deposits                   | 5,052                 | 5,467                     | 4,637                     |
| <b>Total</b>                    | <b>1,968,596</b>      | <b>2,130,217</b>          | <b>1,806,975</b>          |

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 on 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<br>£000 | Value on decrease<br>£000 |
|---------------------------------|--------------------|---------------------------|---------------------------|
|                                 |                    | <b>+7.56%</b>             | <b>-7.56%</b>             |
| 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                    |
| <b>Total</b>                    | <b>2,090,181</b>   | <b>2,248,200</b>          | <b>1,932,162</b>          |

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 the US Dollar, the EURO and the Japanese Yen, using data on currency risk of 8.63% for the US Dollar, 6.32% for the EURO and 9.05% for the Japanese Yen. Weakening or strengthening of Sterling against US Dollars and EUROS on 31 March 2023 would have increased or decreased the net assets by the amounts shown in the following table:

| Asset Type   | 31 March 2023<br>£000 | Percentage Change<br>% | Value on increase<br>£000 | Value on decrease<br>£000 |
|--------------|-----------------------|------------------------|---------------------------|---------------------------|
| US Dollars   | 1,244,761             | 8.63%                  | 1,352,184                 | 1,137,338                 |
| EUROs        | 231,461               | 6.32%                  | 246,089                   | 216,833                   |
| Japanese Yen | 106,758               | 9.05%                  | 116,420                   | 97,096                    |
| <b>Total</b> | <b>1,582,980</b>      |                        | <b>1,714,693</b>          | <b>1,451,267</b>          |



Weakening or strengthening of Sterling against US Dollars and EUROS on 31 March 2022 would have increased or decreased the net assets by the amounts shown in the following table:

| Asset Type   | 31 March 2022<br>£000 | Percentage Change<br>% | Value on increase<br>£000 | Value on decrease<br>£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                    |
| <b>Total</b> | <b>1,690,176</b>      |                        | <b>1,817,783</b>          | <b>1,562,569</b>          |

### 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 2023 was £0.478m in an instant access Barclays account and £11.450m invested in Federated’s money market fund. (On 31 March 2022 £0.064m was invested in an instant access Lloyds account and £3.250m 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 2022<br>£000 | 31 March 2023<br>£000 |
|-----------------------|-----------------------|
|                       |                       |

|                |                                |                |
|----------------|--------------------------------|----------------|
| 113,362        | Brunel infrastructure          | 248,035        |
| 22,664         | Brunel private debt            | 73,611         |
| 66,183         | Brunel private equity          | 100,429        |
| 243,766        | Brunel property unit trusts    | 240,674        |
| 84,595         | Pantheon private equity        | 63,823         |
| 10,880         | Partners Group private markets | 8,067          |
| 1,033          | Residual mandates              | 1              |
| <b>542,483</b> |                                | <b>734,640</b> |

## Note 14 - Related Parties

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

Buckinghamshire Council was reimbursed £3.05m (£2.70m in the 2021/2022 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 £62.6m to the Fund in 2022/2023 (£60.8m in the 2021/2022 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 2023, the Fund had an average investment balance of £13.4m (£8.3m in the 2021/2022 year), earning interest of £297k (£2k in the 2021/2022 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 Buckinghamshire Pension Fund Committee who are deferred members of the Fund. There was one member of the Buckinghamshire Pension Fund Committee who was a pensioner member of the Fund on 31 March 2023 (on 31 March 2022 no pensioner members and no deferred members). The Service Director of Finance (s151 Officer) holds 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 Buckinghamshire Pension Fund Committee, the post of Service Director of Finance (s151 Officer) and the post of Assistant Director of Finance (Pensions, Procurement and Revenues & Benefits) are the key management personnel involved with the Buckinghamshire Pension Fund. £31k was incurred by the Buckinghamshire Pension Fund for costs in relation to key management personnel. Members of the Buckinghamshire Pension Fund Committee are disclosed in the Buckinghamshire 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 2023 Brunel provided services costing £1,318k (£1,214k in the year to 31 March 2022).

**Note 15 - Current Assets and Liabilities**

| <b>31 March 2022</b> | <b>Current Assets and Liabilities</b>                     | <b>31 March 2023</b> |
|----------------------|---|----------------------|
| <b>£000</b>          |   | <b>£000</b>          |
|                      | <b>Current Assets</b>                                     |                      |
| 10,020               | Contributions due from employers 31 March                 | 11,435               |
| 3,697                | Cash balances (not forming part of the investment assets) | 12,026               |
| 1,508                | Other current assets                                      | 790                  |
| <b>15,225</b>        | <b>Total Current Assets</b>                               | <b>24,251</b>        |
|                      | <b>Current Liabilities</b>                                |                      |
| (154)                | Management charges  | (229)                |
| (1,199)              | HM Revenue and Customs                                    | (1,265)              |
| (435)                | Unpaid benefits   | (455)                |
| (2,658)              | Other current liabilities                                 | (2,156)              |
| <b>(4,446)</b>       | <b>Total Current Liabilities</b>                          | <b>(4,105)</b>       |
| <b>10,779</b>        | <b>Net Current Assets</b>                                 | <b>20,146</b>        |

**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 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 2022. On an IAS 19 basis the Actuary estimates that the net liability as at 31 March 2023 is £266m (31 March 2022 £2,193m), 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 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.

| <b>31 March 2022</b> |                                    | <b>31 March 2023</b> |
|----------------------|------------------------------------|----------------------|
| <b>£000</b>          |                                    | <b>£000</b>          |
| 6,095,115            | Present value of funded obligation | 3,974,968            |
| (3,902,383)          | Fair value of scheme assets        | (3,708,847)          |
| <b>2,192,732</b>     | <b>Net Liability</b>               | <b>266,121</b>       |

The present value of funded obligation consists of £3,936m (£6,006m at 31 March 2022) in respect of vested obligation and £39m (£88m at 31 March 2022) 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**

| <b>31 March 2022</b> |                   | <b>31 March 2023</b> |
|----------------------|-------------------|----------------------|
| 2.60%                | Discount rate     | 4.80%                |
| 3.45% to 4.00%       | RPI increases     | 3.10% to 3.65%       |
| 3.20%                | CPI increases     | 2.85%                |
| 3.20%                | Pension increases | 2.85%                |
| 4.20%                | Salary increases  | 3.85%                |

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 year 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 assumes 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 Bank of England implied inflation curve. The Bank of England 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 9 years). This results in an overall IRP of between 0.0% p.a. and 0.25% p.a. depending on the term of the liabilities (for terms ranging from 1 year 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 1 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 0.80% 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. Pension 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 2022. 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 2021 Model, allowing for a long-term rate of improvement of 1.25% p.a., smoothing parameter of 7.0 and no initial addition to improvement. The assumed life expectations from age 65 are:

| Life expectancy from age 65 (years) | 31 March 2022 | 31 March 2023 |
|-------------------------------------|---------------|---------------|
| <b>Retiring today</b>               |               |               |
| Males                               | 21.6          | 21.1          |
| Females                             | 25.0          | 24.6          |
| <b>Retiring in 20 years</b>         |               |               |
| Males                               | 23.0          | 22.3          |
| Females                             | 26.5          | 26.0          |

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 2023 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 2022    | 31 March 2023  |
|---|------------------|----------------|
|   | £000             | £000           |
| Brunel Infrastructure Cycle 3                   | 250,000          | 214,680        |
| Brunel Private Debt Cycle 3                     | 150,000          | 136,800        |
| Brunel Private Equity Cycle 3                   | 150,000          | 150,000        |
| Brunel Infrastructure Cycle 2                   | 183,278          | 110,220        |
| Brunel Private Debt Cycle 2                     | 107,363          | 69,430         |
| Brunel Private Equity Cycle 2                   | 98,952           | 79,110         |
| Brunel Infrastructure Cycle 1                   | 28,583           | 16,690         |
| Brunel Private Equity Cycle 1                   | 40,908           | 28,940         |
| Pantheon Asia Fund V LP                         | 1,225            | 1,225          |
| Pantheon Asia Fund VI LP                        | 2,888            | 2,888          |
| Pantheon USA Fund VII Limited                   | 1,097            | 1,097          |
| Pantheon USA Fund VIII Feeder LP                | 4,171            | 4,171          |
| Pantheon Global Secondary Fund IV Feeder LP     | 1,538            | 1,538          |
| Partners Group Global Resources 2009, LP        | 3,248            | 3,623          |
| Pantheon Europe Fund V “A” LP                   | 812              | 812            |
| Pantheon Europe Fund VI LP                      | 2,911            | 2,911          |
| Partners Group Global Real Estate 2008 SICAR    | 1,524            | 1,771          |
| Partners Group Global Infrastructure 2009 SICAR | 2,762            | 3,064          |
|   | <b>1,031,260</b> | <b>828,970</b> |

On 31 March 2023 there was one group transfer to the Fund being negotiated with another fund (no group transfers to the Fund being negotiated on the 31 March 2022). Calculations have not yet been carried out for the transfer.

On 31 March 2023 there was one group transfers out from the Fund to another fund being negotiated where the £85k value was accrued. There was one on the 31 March 2022 where the £2,556k value was 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.

| <b>2021/2022<br/>£000</b> | <b>Prudential</b>                            | <b>2022/2023<br/>£000</b> |
|---------------------------|--|---------------------------|
| 5,006                     | Value of AVC fund at beginning of year       | 5,492                     |
| 882                       | Employees' contributions and transfers in    |                           |
| 436                       | Investment income and change in market value |                           |
| (832)                     | Benefits paid and transfers out              |                           |
| <b>5,492</b>              | <b>Value of AVC fund at year end</b>         |                           |

*Information for the above table has been delayed by Prudential. Prudential are working on this and will have the information in time for the final accounts publication.*

| <b>2021/2022<br/>£000</b> | <b>Scottish Widows</b>                       | <b>2022/2023<br/>£000</b> |
|---------------------------|--|---------------------------|
| 2,157                     | Value of AVC fund at beginning of year       | 2,060                     |
| 56                        | Employees' contributions                     |                           |
| 128                       | Investment income and change in market value |                           |
| (281)                     | Benefits paid and transfers out              |                           |
| <b>2,060</b>              | <b>Value of AVC fund at year end</b>         |                           |

*Information for the above table has been delayed by Scottish Widows. Scottish Widows are working on this and will have the information in time for the final accounts publication.*

**Note 21 - List of Scheduled and Admitted Bodies**

**Scheduled Bodies**

|  |  |
|--|--|
| Buckinghamshire Council                          | Marlow Town Council                            |
| Buckinghamshire and Milton Keynes Fire Authority | Mentmore Parish Council                        |
| Chiltern Crematorium                             | New Bradwell Parish Council                    |
| Chilterns Conservation Board                     | Newport Pagnell Town Council                   |
| Thames Valley Police                             | Newton Longville Parish Council                |
| Milton Keynes Council                            | Olney Town Council                             |
| Milton Keynes Development Partnership            | Penn Parish Council                            |
| PCC for Thames Valley                            | Piddington & Wheeler End Parish Council        |
|  | Princes Risborough Town Council                |
| Amersham Town Council                            | Shenley Brook End and Tattenhoe Parish Council |
| Aston Clinton Parish Council                     | Shenley Church End Parish Council              |
| Aylesbury Town Council                           | Slapton Parish Council                         |
| Beaconsfield Town Council                        | Stantonbury Parish Council                     |
| Bletchley & Fenny Stratford Town Council         | Stony Stratford Town Council                   |
| Bow Brickhill Parish Council                     | Taplow Parish Council                          |
| Bradwell Parish Council                          | Waddesdon Parish Council                       |
| Broughton & Milton Keynes Parish Council         | Wendover Parish Council                        |
| Buckingham Park Parish Council                   | West Bletchley Town Council                    |
| Buckingham Town Council                          | West Wycombe Parish Council                    |
| Burnham Parish Council                           | Weston Turville Parish Council                 |
| Campbell Park Parish Council                     | Winslow Town Council                           |
| Chalfont St Giles Parish Council                 | Woburn Sands Town Council                      |
| Chepping Wycombe Parish Council                  | Wolverton & Greenleys Town Council             |
| Chesham Bois Parish Council                      | Wooburn & Bourne End Parish Council            |
| Chesham Town Council                             | Woughton Community Council                     |
| Coldharbour Parish Council                       |  |
| Coleshill Parish Council                         | Abbey View Primary School                      |
| Downley Parish Council                           | Alfriston School                               |
| Gerrards Cross Parish Council                    | Amersham School                                |
| Great Missenden Parish Council                   | Ashbrook School                                |
| Great Marlow Parish Council                      | Aspire Schools                                 |
| Hambleden Parish Council                         | Aylesbury College                              |
| Hanslope Parish Council                          | Aylesbury Grammar School                       |
| Hazlemere Parish Council                         | Aylesbury High School                          |
| Hughenden Parish Council                         | Aylesbury Vale Academy                         |
| Iver Parish Council                              | Beaconsfield High School                       |
| Ivinghoe Parish Council                          | Bearbrook Combined & Pre-school                |
| Kents Hill & Monkston Parish Council             | Bedgrove Infant School                         |
| Lacey Green Parish Council                       | Bedgrove Junior School                         |
| Lane End Parish Council                          | Beechview Academy                              |
| Little Marlow Parish Council                     | Bourne End Academy                             |
| Little Missenden Parish Council                  | Bourton Meadow Academy                         |
| Loughton & Great Holm Parish Council             | Bridge Academy                                 |
| Marlow Bottom Parish Council                     | Brill CofE Combined School                     |
|  | Brookmead School                               |

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

Princes Risborough School  
 Priory Rise 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 Primary 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

Speen CofE VA School  
 Stanton School  
 Stantonbury School  
 Stephenson Academy  
 The Beaconsfield School  
 The Hazeley Academy  
 The Highcrest Academy  
 The Kingsbrook School  
 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 Early Years (F&W)  
 Acorn Early Years (Playzone)  
 Acorn Early Years (Rowans)  
 Action for Children Services Ltd  
 Alliance in Partnership (BPPS)  
 Ambassador Theatre Group  
 Ambient Support  
 Aspens Services (MK Academy)  
 Aspens Services (SWR)  
 Aston Commercial Cleaning Ltd  
 Avalon Cleaning Services (Langland School)  
 Birkin Cleaning Services (Lord Grey)  
 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 (Walton High)

Chiltern Rangers CIC  
 Cleantec Services Limited (Denham Academy)  
 Cleantec Services Limited (Oakgrove School)  
 Cleantec Services Limited (Radcliffe School)  
 CS Cleaning Ltd (Milton Keynes)  
 Cucina Restaurants (Denbigh School)  
 Cucina Restaurants (Lord Grey)  
 Cucina Restaurants (Shenley BE)  
 Cucina Restaurants (Stantonbury)  
 Everyone Active Ltd  
 Excelcare  
 Fresh Start Catering (LHA)  
 Fujitsu Services Limited  
 Hightown Housing Association Ltd  
 ICTS (UK) Ltd  
 Innovate Services Ltd (Buckingham)  
 Innovate Services Ltd (Oakgrove)  
 Innovate Ltd (Princes Risboro)  
 May Harris Multi Services Ltd  
 Mears Group plc  
 Monitor Cleaning Services Ltd

Oxfordshire Health NHS Foundation Trust  
Pace Security Ltd (MK College)  
Places for People Leisure (Newport Pagnell TC)  
Places for People Leisure (WDC)  
Police Superintendents Association Limited  
Profile Security Services Ltd new  
Rapidclean (BC Stokenchurch) new  
Rapidclean (MK Redway School)  
Red Kite Community Housing Ltd  
Ringway Infrastructure Services  
Sasse Facilities Management Ltd  
Serco (MKC)  
Serco (MKC Recreation & Maintenance)  
Sports Leisure Management  
TGC Facility Services Ltd  
The Pantry (Chiltern Hills)  
The Pantry (Two Mile Ash)  
Thrift Activity Farm Ltd  
Turn IT On Ltd (SWR School)  
Wellbeing Fitness and Leisure Community Trust  
Wolverton Leisure Trust  
Wycombe Heritage and Arts Trust



**Pension Fund Committee Forward Plan**

**5 July 2023**

| <b>Agenda Item</b>                                 | <b>Author</b>                  | <b>Cyclical Item?</b> |
|--|--------------------------------|-----------------------|
| Election of Chairman                               |                                |                       |
| Appointment of Vice-Chairman                       |                                |                       |
| Apologies  | --                             | Every meeting         |
| Declarations of interest                           | --                             | Every meeting         |
| Minutes  |                                |                       |
| Buckinghamshire Pension Board Draft Minutes        |                                | Every 3 months        |
| Audit of 2021/22 Accounts                          | Grant Thornton / Julie Edwards | Annual                |
| Audit of 2020/21 Accounts                          | Grant Thornton / Julie Edwards | Annual                |
| Draft Pension Fund Accounts 2022/23                | Julie Edwards                  | Annual                |
| Forward Plan                                       | Julie Edwards                  | Every meeting         |
| Exclusion of Press and Public                      |                                |                       |
| Confidential Minutes                               |                                |                       |
| Buckinghamshire Pension Board Confidential Minutes |                                | Every 3 months        |
| Pension Fund Performance                           | Julie Edwards                  | Quarterly             |
| Investment Strategy                                | Mercer                         | Triennial             |
| Climate Scenario Analysis                          | Mercer                         | Ad hoc                |
| Date of next meeting / AOB                         | --                             |                       |

**27 September 2023**

| <b>Agenda Item</b>                          | <b>Author</b>      | <b>Cyclical Item?</b> |
|---|--------------------|-----------------------|
| Apologies                                   | --                 | Every meeting         |
| Declarations of interest                    | --                 | Every meeting         |
| Minutes                                     | --                 | Every meeting         |
| Buckinghamshire Pension Board Draft Minutes |                    | Every 3 months        |
| External Audit Plan 2022/23                 | Grant Thornton     | Annual                |
| Statement of Accounts Audit 2022/23         | Grant Thornton     | Annual                |
| Pension Fund Annual Report 2022/23          | Julie Edwards      | Annual                |
| Breaches of the Law                         | Claire Lewis-Smith | Annual                |

**Pension Fund Committee Forward Plan**

|  |                            |                |
|--|----------------------------|----------------|
| Cyber Policy                                       | Claire Lewis-Smith         | Ad hoc         |
| Investment Strategy Statement                      | Matthew Passey             | Ad hoc         |
| Forward Plan                                       | Julie Edwards              | Every meeting  |
| Exclusion of Press and Public                      |                            |                |
| Confidential Minutes                               |                            |                |
| Buckinghamshire Pension Board Confidential Minutes |                            | Every 3 months |
| Pension Fund Risk Register                         | Julie Edwards              | 6 monthly      |
| Pension Fund Performance                           | Julie Edwards              | Quarterly      |
| Cashflow Modelling                                 | Barnett Waddingham         | Triennial      |
| Brunel Pension Partnership Update                  | Brunel Pension Partnership | Ad hoc         |
|  | Mercer                     | Ad hoc         |
| Date of next meeting / AOB                         | --                         |                |

**15 November 2023**

| <b>Agenda Item</b>                                 | <b>Author</b>              | <b>Cyclical Item?</b> |
|--|----------------------------|-----------------------|
| Apologies  | --                         | Every meeting         |
| Declarations of interest                           | --                         | Every meeting         |
| Minutes  | --                         | Every meeting         |
| Buckinghamshire Pension Board Draft Minutes        |                            | Every 3 months        |
| Forward Plan                                       | Julie Edwards              | Every meeting         |
| Exclusion of Press and Public                      |                            |                       |
| Confidential Minutes                               |                            |                       |
| Buckinghamshire Pension Board Confidential Minutes |                            | Every 3 months        |
| Pension Fund Performance                           | Julie Edwards              | Quarterly             |
| Brunel Pension Partnership Update                  | Brunel Pension Partnership | Ad hoc                |
| Date of next meeting / AOB                         | --                         |                       |

**13 March 2024**

| <b>Agenda Item</b>       | <b>Author</b> | <b>Cyclical Item?</b> |
|--------------------------|---------------|-----------------------|
| Apologies                | --            | Every meeting         |
| Declarations of interest | --            | Every meeting         |



## Pension Fund Committee Forward Plan

|  |                    |                |
|--|--------------------|----------------|
| Minutes  | --                 | Every meeting  |
| Buckinghamshire Pension Board Draft Minutes        |                    | Every 3 months |
| External Audit Plan                                | Grant Thornton     | Annual         |
| Administration Policy Updates                      | Claire Lewis-Smith | Annual         |
| Treasury Management Service Level Agreement        | Julie Edwards      | Annual         |
| Forward Plan                                       | Julie Edwards      | Every meeting  |
| Exclusion of Press and Public                      |                    |                |
| Confidential Minutes                               |                    |                |
| Buckinghamshire Pension Board Confidential Minutes |                    | Every 3 months |
| Brunel Pension Partnership Update                  |                    | Ad hoc         |
| Pension Fund Risk Register                         | Julie Edwards      | 6 monthly      |
| Pension Fund Performance                           | Julie Edwards      | Quarterly      |
| Date of next meeting / AOB                         | --                 |                |

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