

# PENSION FUND COMMITTEE



**Wednesday, 20 December 2023**

**Democratic and Members' Services**  
Emma Duncan  
Service Director: Legal and Governance

**10:00**

New Shire Hall  
Alconbury Weald  
Huntingdon  
PE28 4YE

**Red Kite Room**

**New Shire Hall, Alconbury Weald, Huntingdon, PE28 4YE**

## **AGENDA**

**Open to Public and Press**

1. **Apologies for absence and declarations of interest**  
*Guidance on declaring interests is available at <http://tinyurl.com/ccc-conduct-code>*
2. **Public minutes of the Pension Fund Committee held 4 October 2023 and Action Log** **5 - 14**
3. **Petitions and Public Questions**
4. **Administration Performance Report** **15 - 32**
5. **Pension Fund Annual Business Plan Update report 2023-24** **33 - 54**
6. **Governance and Compliance Report** **55 - 64**
7. **Cambridgeshire Pension Fund Potential Breaches of the Law Report** **65 - 82**

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| 8.  | <b>Employer Admissions and Cessations Report</b>   | 83 - 92   |
| 9.  | <b>Ernst &amp; Young Audit Plan for Cambridgeshire Pension Fund for Year Ended 31.03.23</b>  | 93 - 142  |
| 10. | <b>Pension Fund Annual Report and Statement of Accounts 2022-23</b>  | 143 - 278 |
| 11. | <b>Committee Agenda Plan</b>   | 279 - 280 |
| 12. | <b>Exclusion of Press and Public</b><br><i>To resolve that the press and public be excluded from the meeting on the grounds that the agenda contains exempt information under Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended, and that it would not be in the public interest for this information to be disclosed information relating to the financial or business affairs of any particular person (including the authority holding that information)</i> |           |
| 13. | <b>Confidential minutes of the Pension Fund Committee held 4 October 2023</b> <ul style="list-style-type: none"> <li>• Information relating to the financial or business affairs of any particular person (including the authority holding that information);</li> </ul>   |           |
| 14. | <b>Personal Data Retention Policy</b> <ul style="list-style-type: none"> <li>• Information relating to the financial or business affairs of any particular person (including the authority holding that information);</li> </ul>   |           |
| 15. | <b>Risk Monitoring</b> <ul style="list-style-type: none"> <li>• Information relating to the financial or business affairs of any particular person (including the authority holding that information);</li> </ul>  |           |
| 16. | <b>ACCESS Update</b> <ul style="list-style-type: none"> <li>• Information relating to the financial or business affairs of any particular person (including the authority holding that information);</li> </ul>  |           |

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The Pension Fund Committee comprises the following members:

Councillor Alison Whelan (Chair) Councillor Mike Black (Vice-Chair) Councillor Chris Boden Liz Brennan Councillor Andy Coles Mr Howard Nelson and Mr Matthew Pink Councillor Adela Costello Councillor Peter McDonald Councillor Keith Prentice Councillor Alan Sharp

Clerk Name:	Dawn Cave
Clerk Telephone:	01223 699178
Clerk Email:	dawn.cave@cambridgeshire.gov.uk



## Public minutes of the Pension Fund Committee

Date: 4<sup>th</sup> October 2023

Time: 10:00am – 11.12am

Venue: New Shire Hall, Alconbury Weald

Present: County Councillors M Black (Vice Chair), A Costello, P MacDonald, A Whelan (Chair);  
Liz Brennan

Officers: D Cave, M Hudson, M Oakensen and M Whitby

### 143. Apologies for absence and declarations of Interest

Apologies for received from Cllrs Boden and Sharp, and Lee Phanco.

### 144. Public minutes of the Pension Fund Committee meeting held 20<sup>th</sup> July 2023

The public minutes of the Pension Fund Committee meeting held on 20<sup>th</sup> July 2023 were approved as a correct record.

The Action Log was noted.

### 145. Petitions and Public Questions

There were no petitions or public questions.

### 146. Internal Audit Report

The Committee considered the annual internal audit report of the administration of the Pension Fund. The audit had been carried out by the West Northamptonshire Council Audit and Risk Management Service, and gave a substantial assurance opinion in respect of the control environment/system in place, and a substantial assurance opinion for compliance. Five recommendations had arisen from the 2021/22 review and these had been actioned, with the exception of an annual reconciliation which had partially been completed, but had been delayed due to resourcing issues. The Committee noted some of the improvements introduced to processes following the previous audit.

A Member observed that testing was based on single walk through test, and she asked if the Internal Audit team considered that sufficient? It was noted that the Audit and Accounts Committee had also expressed some concerns with this approach. Internal Audit officers advised that this area was audited annually, and previous, more detailed audits had picked up few areas on concern. Accordingly the decision had been taken to conduct a deep dive into controls, which was the only area where issues had been flagged previously. Possible approaches to future audits of this areas were outlined.

It was unanimously resolved to:

note the Internal Audit work covering the period 2022-23.

## 147. Administration Performance Report

The Committee considered a report which set out a number of key areas of administration performance in the period 1<sup>st</sup> May to 31<sup>st</sup> July 2023.

Over the three month period, all performance targets had been achieved, except for three 'Reds' and one 'Amber'. This reflected ongoing staff resource issues in the relevant team, including the relative inexperience of new team members. The Committee noted the detail of the current staffing situation.

The tight timescales for some of the KPIs, particularly the five working day target, were much more challenging than the industry standards. The Administration Strategy and the performance standards within it would be reviewed at the Pension Fund Board meeting in November and presented to the Pension Fund Committee at their December meeting. Appendix 2 set out progress with the development of new KPIs.

Arising from the report:

- in the Disputes section, it was noted that the reasons for not paying a 50% widow's pension following the death of a pensioner was likely to be related to the regulations that applied at the time the individual joined the pension scheme, and the specific circumstances around the scheme member's death. It was agreed that a high level summary of the case would be circulated to Committee. **Action: Michelle Oakensen;**
- with regard to the Stage 2 Dispute about a transfer to an overseas pension scheme which had taken place in 2015, it was noted that this related to a transfer where there had been a poor outcome following the transfer. There were very tight regulations for such transfers, and these types of disputes sometimes arose when an individual realised, following the transfer, that the value of the pension was lower than anticipated, and retrospectively challenged the Pension Fund for allowing them to transfer the pension. Fortunately officers were only aware of one or two such cases in relation to the Cambridgeshire Pension Fund;

- asked about the types of procedures were in place for Maternity cover, as there should be adequate notice when cover was required. Officers advised that there were appropriate processes, but the relatively small team was experiencing a high level of Maternity Leave. Broader issues around the team's approach to recruitment in a challenging market place were noted, including the limited use of agency staff;
- with regard to the "*Calculate and notify dependent(s) of amount of death benefits*", it was noted that notification was made at the point the payment was made.

There was a discussion around employer contribution rates, and the application of penalties for late payments. It was noted that for the last four months, all employers had paid on time. Measures were taken for repeat late payments, specifically if an employer was late for three consecutive months (or three months within a six-month period) this was raised with the Pensions Regulator, and the Committee would be alerted. There had very few instances where these processes had needed to be implemented. The Executive Director for Finance and Resources was pleased to note this, commenting that cashflow would become an issue for the Fund going forward, so it would be essential to maintain this excellent work.

It was unanimously resolved to:

note the Administration Performance Report.

#### 148. Business Plan Update

The Committee considered an update to the Business Plan, which set out progress against key activities.

Members noted updates on key activities including:

- the Pensions Administration retender which had concluded, with the Fund due to enter into a new contract with the incumbent supplier, Heywood;
- good progress was being made on the manual rectification of outstanding records (Guaranteed Minimum Pension Rectification);
- the indicator for the McCloud Age Discrimination remedy had changed to Amber. The regulations and guidance for the age discrimination remedy had been published recently, which highlighted additional data to be collected from scheme employers. Guidance around prioritisation and treatment was awaited, the relevant paragraphs in the "Business as Usual" correspondence would be updated;
- good progress had been made with regard to the volumes of Undecided Leavers, and that indicator was now Green;
- the review of the investment consultancy contract was noted as a new activity, where the decision had been taken to extend the current contract until next year, to tie in with the investment consultancy objectives.

A Member asked if there was any scope to bring any of the outsourced activities in-house. It was confirmed that these often related to very specialised areas, such as the software,

and it was essential to have a robust supplier who could implement changes. The one element where there was scope to bring in-house was the hosting element, but it was generally far more efficient to outsource.

With regard to EDI it was felt that this should be all encompassing, issues such as communications, membership of Boards and Committees, it would be quite broad in reach. The Chair stressed that EDI issues should be considered in all aspects of the Fund's operations.

There was a query regarding the management expenses listed on p59, and officers agreed to investigate and confirm the actual figure with Members. Action required.

In response to a Member query on the level of Member involvement in the current investment consultancy and actuary retendering processes, it was confirmed that these processes had been delegated to officers. However, officers recognised that Members had expressed concerns around a number of issues on these contracts, including engagement with Committee Members, and Members may therefore may want to participate in the evaluation, given the importance of the relationship between the consultants and the Committee.

There was a discussion on benchmarking fees against other Pension Funds. By procuring through a framework, there was a maximum fee paid, and there was often a discount when more than one Fund invested, which could be quite significant. Benchmarking could be difficult as there may be different factors for different Funds, and it was difficult to establish those differences without infringing commercial confidentiality.

It was clarified that with regard to the new Business Plan activity identified in paragraph 3.19 – *potential to extend the current investment consultancy contract* – this activity could be changed at any time, it was not a matter for decision at this stage.

It was unanimously resolved to:

- a. note the Business Plan Update;
- b. approve the new Business Plan activities at 3.18 and 3.19.

## 149. Governance and Compliance Report

Members received a report on governance issues concerning the Local Government Pension Scheme (LGPS) on a national and local basis, and also details of forthcoming training events.

With regard to the Pensions dashboard, the connection deadline of October 2026 was now set out in regulation, and the connection guidance was awaited, which would set out the specific staging dates. The Pension Regulator had made clear that all schemes should have regard to the connection guidance.



Since the pensions administration system procurement had been finalised, it had been confirmed that the Fund did not fall in any of the categories by which connection deadlines could be deferred. Internally a lot of work was ongoing in terms of data quality. The Fund would have some control over matching criteria. Officers detailed the specific GDPR implications and the importance of deleting information.

On 8<sup>th</sup> September the government published the response to the McCloud Consultation, and the Regulations had come into force on 1<sup>st</sup> October. The national working groups would be key going forward, and those groups were split into Statutory and Non Statutory guidance. Just over 17% (18,046) of Cambridgeshire Pension Fund scheme members were currently in scope. Governance advisors had provided training to all Pension staff in September, currently reviewing processes.

In terms of the Gender Pay Gap analysis, a working group had been set up and was due to meet shortly.

Arising from the report, a Member asked if more staff would need to be recruited to deal with the McCloud issue? Officers advised it was unlikely that more staff would be required as much work would be dealt with by automated processes, but there may be an issue with the more complex and specialist work, which would require the time of some of the most skilled and experience pensions officer, which may put pressure on other workstreams.

A Member observed that in addition to the Gender pension pay gap, there would inevitably be an Ethnicity pay gap.

It was resolved unanimously to:

- 1) note the Governance and Compliance Report;
- 2) note the immaterial amendments to be applied to the policies in section 3.12.

## 150. Employer Admissions and Cessations Report

The Committee received a report on the admission of six admitted bodies, and the cessation of six bodies. It was noted that a significant funding surplus had been identified for one of the exiting bodies, but the process for determining the value of the exit credit had not been concluded. This would be reported to a future meeting.

In response to a Member query, officers outlined the complex range of factors impacting on the final funding assessment, which determined whether there was an exit payment or an exit credit.

It was resolved unanimously to:

1. note the admission of the following transferee admission bodies to the Cambridgeshire Pension Fund and approves the sealing of the admission agreement:
  - ABM Catering Limited
  - Avocet Cleaning Services Limited
  - Caterlink UK Limited
  - Easy Clean Contractors Limited
  - Innovate Services Limited
  - Pabulum Catering Limited
2. note the cessation of the following bodies from the Cambridgeshire Pension Fund:
  - Aspens Services Limited
  - Excellerate Services UK Ltd
  - Nightingale Cleaning Limited
  - Nourish Catering Limited
  - Pabulum Catering Limited
  - Sanctuary Housing Association
3. note the update on previously reported cessations relating to:
  - ABM Catering Limited
  - Chorus Homes Group Limited
  - Friends Therapeutic Community Trust
  - Serco Limited

#### 151. Cambridgeshire Pension Committee Forward Agenda Plan

It was resolved to note the Committee Agenda Plan.

#### 152. Exclusion of Press and Public

It was resolved unanimously that the press and public be excluded from the meeting on the grounds that the following items contain exempt information under Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended, and that it would not be in the public interest for this information to be disclosed information relating to the financial or business affairs of any particular person (including the authority holding that information).

#### 153. Confidential minutes of the Pension Fund Committee meeting held 20 July 2023

It was resolved to approve the confidential minutes of the Pension Fund Committee meeting held 20 July 2023.

154. Cambridgeshire Pension Fund – Additional Voluntary Contribution Provider (AVC) administration and investment performance review

Members considered a review of Additional Voluntary Contributor (AVC) proposals.

It was resolved unanimously to approve the recommendations, as per the report.

155. Cyber Resilience and Data Protection

Members considered an update on the Fund's cyber resilience programme.

It was resolved unanimously to:

- 1) note the report
- 2) note the updated Cyber Activity Action Plan

156. ACCESS Update

The Committee considered a report on ACCESS Asset Pooling.

It was resolved to note the report.

Chair

This log captures the actions from the Pension Fund Committee of the 4 October 2023 together with any carried forward items from previous meetings and updates members on the progress on compliance in delivering the necessary actions. This is the updated action log as of 11 December 2023.

Actions from 4 October 2023 meeting of the Pension Fund Committee

Item No.	Item	Action to be taken by	Issue	Action/Status
147.	Administration Performance Report	Michelle Oakensen	In the Disputes section, it was noted that the reasons for not paying a 50% widow's pension following the death of a pensioner was likely to be related to the regulations that applied at the time the individual joined the pension scheme, and the specific circumstances around the scheme member's death. It was agreed that a high-level summary of the case would be circulated to Committee.	Completed. An email was circulated on 6 October 2023.
148.	Business Plan Update	Mark Whitby	There was a query regarding the management expenses listed on p59, and officers agreed to investigate and confirm the actual figure with Members.	The variance online "Management Expenses (Non-invoiced) should be a positive figure.

Outstanding actions from 30 March 2023 meeting of the Pension Fund Committee

Item No.	Item	Action to be taken by	Issue	Action/Status
110	Communication Strategy	Sharon Grimshaw	It was agreed that when the McCloud outcome was communicated to scheme members, Committee Members would be copied in, so they were aware of what had been sent to scheme members and could respond to any queries accordingly.	In progress. A dedicated McCloud page has been created on our member and employer websites that link to centrally produced resources. Members that are in scope of the McCloud remedy have been emailed. Committee members have been sent links to the websites and copies of the emails. Those members that have opted out of electronic

				communications will be sent a letter by the end of the year.
<b>Item No.</b>	<b>Item</b>	<b>Action to be taken by</b>	<b>Issue</b>	<b>Action/Status</b>
115	Managed Exits	Cory Blose	Approval to enter into Debt Spreading Arrangements (DSA's) with two employers were approved by the Committee on the condition that further legal advice was obtained over the ability and appropriateness of obtaining alternative types of security not already considered by officers. Officers advised that they would take further legal advice and report back to the Chair of the Committee for final approval.	In progress: Since the last meeting a debt spreading arrangement has been agreed with one employer following additional legal advice and approval from the Chair of the Committee. A recommendation has also been proposed for the 2 <sup>nd</sup> employer which does not involve a charge on property but based on additional legal advice would provide an additional and proportionate level of security.

# Cambridgeshire Pension Fund

Pension Fund Committee

20 December 2023

Report by: Head of Pensions

Subject: Administration Performance Report

Purpose of the Report: To present the Administration Performance Report to the Pension Fund Committee for the period 1 August to 31 October 2023.

Recommendations: The Pension Fund Committee is asked to:

- 1) note the Administration Performance Report
- 2) approve a change to the KPI target for the payment of retirements benefits from active employment from 5 working days to 10 working days (section 3.1.7).

Enquiries to: Michelle Oakensen  
Governance and Regulations Manager  
[michelle.oakensen@westnorthants.gov.uk](mailto:michelle.oakensen@westnorthants.gov.uk)

## 1. Background

- 1.1 One of the core functions of the Pension Fund Committee is to ensure the effective and efficient governance and administration of the scheme. This report demonstrates a number of key areas of administration performance for consideration by the Pension Fund Committee.

## 2. Executive Summary

- 2.1 This report sets out the performance of the Cambridgeshire Pension Fund on the following areas of administration:
  - 2.1.1 The achievement against the Key Performance Indicators for the period 1 August to 31 October 2023. For the period 12 of the 21 KPI targets were achieved, with 6 red and 3 amber (section 3.1 & appendix 1).
  - 2.1.2 Progress on the development of the Pension Service Key Performance Indicators (section 3.2 & appendix 2).
  - 2.1.3 Timeliness of receipt of employee and employer pension contributions for the period 1 October to 30 September 2023, 99.7% of payments were received on time (section 4 & appendix 3). Details of any late payments are detailed in appendix 4 (exempt).
  - 2.1.4 Occurrences of breaches of the law for the period 1 August to 31 October 2023. There were no material breaches in the period (section 5).

- 2.1.5 Details of any Internal Dispute Resolution Procedure cases during the period 1 August to 31 October 2023. There was one stage 1 administering authority dispute raised and one stage 2 determination made (section 6).
- 2.1.6 Occurrences of material data breaches for the period of 1 August to 31 October 2023. There were no material data breaches for the period.
- 2.1.7 Details of any significant overpayment of pension for the period 1 August to 31 October 2023. There were no significant overpayments for the period (section 8).

### 3. Key Performance Indicators

#### 3.1 Pension Service performance against Key Performance Indicators

- 3.1.1 The Pension Committee has in place a set of key performance indicators (KPIs) to assess the performance of the Pensions Service in the delivery of key items of casework. The actual performance against these KPIs for the period 1 August to 31 October 2023 can be found in appendix 1 along with the explanations for any underperformance.
- 3.1.2 Over the 3-month period, 12 of the 21 KPI targets have been met.
- 3.1.3 The team that processes retirement benefits and estimates had several contributing factors that led to KPIs being missed over the reporting period. The team contended with periods of annual leave and sickness and two team leaders left in August (one leaver and one maternity leave) and were replaced with two less experienced team leaders. The team itself is inexperienced with ongoing training continuing to be delivered at different levels. In addition, the implementation of the McCloud remedy has increased workloads and queries.
- 3.1.4 Maternity leave across the wider Operations Team has impacted the ability to divert resources as required due to the back filing of those positions. In addition, following the release of the GAD factors, resource was allocated to clearing backlogs.
- 3.1.5 Performance is expected to improve by the end of the calendar year once the training requirements reduce at both officer and team leader level and skills and experience are embedded within the team. The medium to long term plan is to increase multi-skilling to help with service resilience across teams.
- 3.1.6 For additional context the average number of days for processing retirements from active status was 6.4 days during October 2023.
- 3.1.7 The particularly tight turnaround time for notifying active members of their benefits award is contributing to the missed targets and in line with industry standards as per CIPFA Benchmarking (15 Funds in scope – 1 Fund 1 month, 12 Funds 15 working days, 1 Fund 7 working days, 1 Fund 5 working days), Officers are seeking to revise this target to 10 working days to allow for sufficient processing time, especially in light of inexperienced team members needed a proportion of cases recalculating.

#### 3.2 Development of the Pension Service Key Performance Indicators

- 3.2.1 Progress has been made on some areas of reporting with the new data encompassing the administration and employer performance as well as any delays from members.



- 3.2.2 Insights reporting has provided additional analysis for the information to be provided to new joiners, the functionality is not in place at this time for other areas and development options are being considered.
- 3.2.3 The new supplementary KPI information can be found in Appendix 2.
- 3.2.4 Once the data set has expanded, the intention is to analyse any lower than desired KPI performance in Appendix 2 and target communications and interventions appropriately.

#### 4. Receipt of Employee and Employer Contributions

- 4.1 Employers in the Fund have a statutory obligation to arrange for the correct deduction of employee and employer contributions and to ensure payment reaches the Pension Fund by the 19th of the month following the month of deduction. They must also provide an associated monthly statement/schedule in a format acceptable to the Administering Authority.
- 4.2 The table in appendix 3 shows the percentage of employers in the Cambridgeshire Pension Fund who paid their employee and employer contributions and/or submitted their schedules on time or late for the period 1 October to 30 September 2023.
- 4.3 In July 98.8% of contribution payments were received on time with 100% received on time for August and 99.6% for September. The current yearly average for payments made on time is 99.7% and schedules being received on time is 99.5%.

#### 5. Breaches of the Law

- 5.1 There are various laws relating to the Local Government Pension Scheme, with various individuals, including the Pension Fund Board, having a statutory duty to report material breaches of the law to the Regulator. The Cambridgeshire Pension Fund maintains a record of both material breaches that are reported to the Pensions Regulator as well breaches that are deemed not to be of material significance and so are not reported to the Pensions Regulator.
- 5.2 For the period 1 August to 31 October 2023, the following breaches occurred:

Type of Breach	Detail of Breach	Course of action
Material Breaches	None	None
Non Material Breaches	22 refund of contribution payments were paid outside of the statutory 5-year period.	No further action at this stage, it is likely that the legislation surrounding this will be amended to remove the 5-year requirement.
	1 refund of contribution payment paid to a member over the age of 75.	Unauthorised payment made with the member electing to self- declare to the HMRC.
	Missed statutory targets against Key Performance Indicators.	Issues will be addressed within the Service and with employers as appropriate. Further details can be found in Appendix 2.

## 6. Internal Dispute Resolution Procedure

6.1 Members, prospective members, and beneficiaries may not always agree with pension decisions that are made or may be unhappy that decisions have not been made, by either an administering authority or a scheme employer. The Internal Dispute Resolution Procedure (IDRP) is the route by which they may raise their concerns and challenge such decisions.

6.2 The following tables detail that activity undertaken during the period 1 August to 31 October 2023 with regards to administering authority and employer disputes.

6.3 Stage 1 disputes:

Nature of Stage 1 Dispute (Head of Pensions)	Date Received	Date Decision Due	Stage 1 Decision: Upheld/not upheld/partially upheld	Date of Decision
Exited employer disputing the Admin Authorities decision not to pay them the full exit credit, also disputing the need to carry out, and charge for, an actuarial assessment at exit.	27/10/2023	26/12/2023		Ongoing

6.4 Stage 2 disputes:

Nature of Stage 2 Dispute (CCC Monitoring Officer)	Date Received	Date Decision Due	Stage 1 Decision: Upheld/not upheld/partially upheld	Date of Decision
Challenging the process followed, in allowing a transfer to an overseas scheme to take place in 2015.	23 June 2023	16 October 2023 (extended from 22 August 2023)	Upheld	17/10/2023

6.5 In the period 1 August to 31 October 2023 no new employing authority disputes were raised and/or responded.

## 7. Material Data Breaches

7.1 None.

## 8. Significant overpayments of pension

8.1 None.

## 9. Relevant Pension Fund Objectives

Has robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance. *Objective 1*

Manages the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers. *Objective 2*

Ensures the relevant stakeholders responsible for managing, governing and administering the Fund, understands its' roles and responsibilities and has the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment. *Objective 3*

Continually monitors and measure clearly articulated objectives through business planning *Objective 4*

Continually monitors and manages risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. *Objective 5*

Puts in place performance standards for the Fund and its employers and ensures these are monitored and developed as necessary. *Objective 8*

Administers the Fund in a professional and efficient manner, utilising technological solutions and collaboration. *Objective 10*

## 10. Risk Management

10.1 The Fund's Administration Strategy sets out the performance standards of both the scheme employer and the administering authority. The Pension Fund Committee and Pension Fund Board are expected to monitor performance standards through information contained within the Administration Report which is presented at each meeting.

10.2 The mitigated risks associated with this report has been captured in the Fund's risk register as detailed below -

Risk	Residual risk rating
Information may not be provided to stakeholders as required.	Green
Those charged with governance are unable to fulfil their responsibilities effectively	Green
Failure to provide relevant information to the Pension Fund Committee/Pension Board to enable informed decision making	Green

10.3 The Fund's risk register can be found on the Pensions website at the following link: [\\_ Key documents \(CCC\) - Cambridgeshire and Northamptonshire LGPS \(westnorthants.gov.uk\)](#)

## 11. Communication Implications

Direct communications: The Fund publishes performance against the key performance indicators in the regular reports to the Pension Fund Committee and Pension Fund Board and in the Fund's Annual Report.

Employers of the Fund are guided through the admission process and directly kept up to date with requirements and progress.

Members who enter the Internal Dispute Resolution Procedure are kept informed of progress within the statutory timescales

## 12. Finance & Resources Implications

12.1 None.

## 13. Legal Implications

13.1 No material issues have been identified which may give rise to legal liability and/or risk from an administering authority perspective.

13.2 With all IDRP complaints there is a risk that a complain may be raised with the Pensions Ombudsman.

## 14. Consultation with Key Advisers

14.1 Aon conducted the Key Performance Indicator review.

14.2 Squire Patton Boggs conducted a review of the paper for legal implications.

## 15. Alternative Options Considered

15.1 Not applicable

## 16. Background Papers

16.1 Not applicable

## 17. Appendices

17.1 Appendix 1 Key Performance Indicators.

17.2 Appendix 2 Development of Key Performance Indicators during 2023/2024.

17.3 Appendix 3 Receipt of Employee and Employer Contributions.

17.4 Appendix 4 Details of late contribution payments – exempt.

## Checklist of Key Approvals

Has this report been cleared by Section 151 Officer? Sarah Heywood – 29/11/2023

Has this report been cleared by Head of Pensions? Mark Whitby – 20/11/2023

Has this report been cleared by Monitoring Officer? Emma Duncan – 28/11/2023



# Appendix 1 – Pension Service Key Performance Indicators for August, September and October 2023

Function/Task	Indicator	Target	Month	Completed	Within Target	Over Target	% Within Target	RAG	Comments
Notify leavers of deferred benefit entitlement	Notify leavers of deferred benefit entitlements or concurrent amalgamation within 15 working days of receiving all relevant information.	90%	August September October	247 213 181	232 213 178	15 0 3	94 100 98	Green Green Green	SLA target met SLA target met SLA target met
Payment of retirement benefits from active employment	Notify employees retiring from active membership of benefits award, from date payable or date of receiving all necessary information if later within 5 working days.	95%	August September October	42 49 49	31 38 33	11 11 16	74 78 67	Red Red Red	SLA target not met* SLA target not met* SLA target not met*
Payment of pension benefits from deferred membership status	Notify members retiring from deferred membership status of benefits award, from date payable or date of receiving all necessary information if later within 10 working days.	90%	August September October	86 82 80	59 66 65	27 16 15	69 80 81	Red Amber Amber	SLA target not met* SLA target not met* SLA target not met*
Award dependant benefits	Issue award within 5 working days of receiving all necessary information.	95%	August September October	23 41 31	22 40 31	1 1 0	96 98 100	Green Green Green	SLA target met SLA target met SLA target met

## Appendix 1 – Pension Service Key Performance Indicators for August, September and October 2023

Function/Task	Indicator	Target	Month	Completed	Within Target	Over Target	% Within Target	RAG	Comments
Provide a maximum of one estimate of benefits to employees per year on request	Estimate in agreed format provided within 10 working days from receipt of all information.	90%	August	32	25	7	78	Red	SLA target not met*
			September	30	25	5	83	Amber	SLA target not met*
			October	16	12	4	75	Red	SLA target not met*
Provide transfer-in quote to scheme member	Letter issued within 10 working days of receipt of all appropriate information.	95%	August	21	21	0	100	Green	SLA target met
			September	25	25	0	100	Green	SLA target met
			October	25	25	0	100	Green	SLA target met
Payment of transfer out	Process transfer out payment – letter issued within 10 working days of receipt of all information needed to calculate transfer out payment.	90%	August	44	42	2	95	Green	SLA target met
			September	34	33	1	97	Green	SLA target met
			October	14	14	0	100	Green	SLA target met

\* Payment of retirement benefits from active employment/payment of pension benefits from deferred membership status/provide a maximum of one estimate of benefits to employees per year on request – several contributing factors that led to KPIs being missed for August, September and October. The team contended with periods of annual leave and sickness and two inexperienced team leaders were receiving training in preparation to replace a leaver and a maternity cover in August. The team itself is inexperienced with ongoing training continuing to be delivered at different levels. In addition, the implementation of the McCloud remedy has increased workloads and queries.

Maternity leave across the wider Operations Team has impacted the ability to divert resources as required due to the back filing of those positions. In addition, following the release of the GAD factors, resource was allocated to clearing a divorce backlog.

Performance is expected to improve once the training requirements reduce at both officer and team leader level and skills and experience are embedded within the team. The medium to long term plan is to increase multi skilling to help with service resilience across teams.

For additional context, the average number of days for processing retirements from active status is 6.4 days.



## Appendix 1 – Pension Service Key Performance Indicators for August, September and October 2023

- Green: Equal to or above Service Level Agreement (SLA) target.
- Amber: Below SLA target, but number completed within target is within 10% of the SLA target.
- Red: Below SLA target and number completed within target is not within 10% of the SLA target.



Appendix 2 – Customer Journey Key Performance Indicators (statutory) for the Period 1 July to 31 October 2023

Function/Task	Indicator	Month	% Within Target	Comments
Provide basic scheme information to new joiners.	2 months from date of joining or member's request.	July August September October	67 42 80 90	The Pension Service is 100% within target for meeting the SLA of 2 months from the record being created on Altair which is dependent upon the receipt of the employer i-connect file.
Provide transfer details for transfer in.	2 months from date of request.	July August September October	62 86 81 68	Analysis has not been carried out but reasons why the cases would not be completed within the statutory target are: <ul style="list-style-type: none"> <li>• Interfund in - Further information is required from the previous LGPS pension fund.</li> <li>• Transfer in – Further information is required from the member, the previous scheme, or the employer.</li> </ul>
Provide details of transfer value for transfer out.	3 months from date of request.	July August September October	85 91 87 88	Analysis has not been carried out but reasons why the cases would not be completed within the statutory target are: <ul style="list-style-type: none"> <li>• Interfund out - Further information is required from the employer prior to finalising the deferred benefit and there is a backlog in these cases due to the volumes.</li> <li>• Transfer in – Further information is required from the employer prior to finalising the deferred benefit.</li> </ul>
Provide a CETV quotation for divorce purposes.	Within 3 months of the request (or shorter deadline as specified in a court order).	July August September October	100 100 100 81	Cases were not within the statutory target in October as a result of a backlog in checking being cleared in this month. The backlog was created from the clearance of cases that were on hold as a result of the GAD factor changes.

Appendix 2 – Customer Journey Key Performance Indicators (statutory) for the Period 1 July to 31 October 2023

Function/Task	Indicator	Month	% Within Target	Comments
Inform members who leave the scheme before retirement age of their rights and options.	As soon as practical and no more than 2 months of leaving.			This KPI still needs to be developed.
Inform members who leave the scheme at or after retirement age of the benefits due.	Within 2 months of retirement date where the member <b>retires before</b> normal pension age.			Initial data in this area has been variable over the 4-month period and further information is required to understand the fluctuations and validity of the data.
Inform members who leave the scheme at or after retirement age of the benefits due.	Within 1 month of retirement date where the member <b>retires on or after normal pension age.</b>			Initial data in this area has been variable over the 4-month period and further information is required to understand the fluctuations and validity of the data.
Calculate and notify dependant(s) of amount of death benefits.	As soon as possible, but in any event no more than 2 months of date or becoming aware of death.			A new death process is due to be created to enable reporting on this KPI. This is not currently possible as a separate case is set up on the member and the dependant.

Appendix 2 – Customer Journey Key Performance Indicators (statutory) for the Period 1 July to 31 October 2023

Function/Task	Indicator	Month	% Within Target	Comments
Notify implementation information after receiving a pension sharing order (and no outstanding information)	Within 21 days of the later of, the date of receipt of the pension sharing order or the day on which the order takes affect or the date of receipt of the relevant documents / information.			This KPI still needs to be developed for the small number of cases that are completed in a year.



### Appendix 3- Receipt of Employee and Employer Contributions

Month/Year	% of Employers Paid on Time	% of Employers Paid Late	% of Employers that Submitted Schedule on Time	% of Employers that Submitted Schedule Late
October 2022	99.8	0.2	99.8	0.2
November 2022	98.5	1.5	98.5	1.5
December 2022	99.8	0.2	99.8	0.2
January 2023	100	0	99.6	0.4
February 2023	99.8	0.2	100	0
March 2023	100	0	100	0
April 2023	100	0	100	0
May 2023	100	0	100	0
June 2023	100	0	100	0
July 2023	98.8	0.2	97	3
August 2023	100	0	100	0
September 2023	99.6	0.4	99.8	0.2
Average for period	99.7	0.3	99.5	0.5

## Appendix 3- Receipt of Employee and Employer Contributions



## Cambridgeshire Pension Fund

### Pension Fund Committee.

Date: 20 December 2023.

Report by: Head of Pensions

Subject: Pension Fund Annual Business Plan Update report  
2023/24

Purpose of the Report: To present the Business Plan Update.

Recommendation: The Pension Fund Committee is asked to note the  
Business Plan update.

Enquiries to: Mark Whitby  
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#### 1. Background.

- 1.1 Good governance requires that updates to the pre-agreed Annual Business Plan and Medium-Term Strategy are provided to the Committee on a regular basis. This update highlights the progress made on the key activities for the period.

#### 2. Executive summary.

- 2.1 The Cambridgeshire Pension Fund has for many years considered it good governance to have in place a Business Plan and Medium-Term Strategy that is agreed annually and regularly monitored by the Committee.
- 2.2 The report summarises the progress made on each activity for the period under review.
- 2.3 Section 3 of this report provides a progress update for each business plan activity. The table below provides an overview of the RAG status of each activity.

Paragraph	Activity	RAG status
3.1	Re-tender for benefits and governance consultancy services.	Green
3.2	Re-tender for actuarial consultancy services.	Green
3.3	Re-tender for legal services provider.	Green
3.4	Re-tender for pensions administration and pensioner payroll platform.	Green
3.5	Address and mortality screening Services.	Green
3.6	Review and implement changes required from the Pension Regulator's new Code of Practice.	Green
3.7	Continue to review cyber resilience.	Green
3.8	Implement the best practice recommendations of the good governance review.	Green
3.9	Review the administrative performance of the Fund's additional voluntary contribution providers.	Green
3.10	Complete the Guaranteed Minimum Pension Rectification.	Amber
3.11	Application of the McCloud age discrimination remedy.	Amber
3.12	Prepare for the implementation of Pension Dashboards.	Green
3.13	Processing of undecided leaver records.	Amber
3.14	Continue development of the ACCESS asset pool.	Green
3.15	Continue activities within the Fund's Climate Action Plan.	Green
3.16	Implement the revised Investment Strategy.	Green
3.17	Implement recommendations from the review of the website and digital communications.	Green
3.18	Implement equality, diversity and inclusion (EDI) best practices.	Green
3.19	Review of investment consultancy contract.	Green

2.5 The tables in appendix 1 provide an update of the Fund account, investment and administration income and expenditure against the cash flow projection outlined in the Annual Business Plan as agreed by the Pension Fund Committee in March 2023. There are no material variances identified.

2.6 The link to the full Business Plan approved by the Committee in March 2023 is provided in section 11 for full context and reference.

## Procurement of Services.

3.1 Re-tender for benefits and governance consultancy services.

3.1.1 Activity: To re-tender for the supplier of benefits and governance consultancy services currently with Aon due to expire 31 March 2024.

### 3.1.2 Key milestones:

Key Milestones.	Dates.	On target for completion?
Register to access national LGPS Frameworks.	May 2023.	Completed.
Draft specification of services required an associated documentation.	June – July 2023.	Completed.
Issue invitation to tender to suppliers on the Framework.	September 2023.	Completed.
Evaluate tender responses.	October - November 2023.	On target.
Award contract.	January 2024.	On target.

3.1.4 Update: The invitation to tender documentation was published at the end of August with prospective bidders invited to submit responses by midday on the 27 October 2023. The evaluation of responses was concluded in November and the contract will be awarded in January 2024.

## 3.2 Re-tender for actuarial consultancy services.

3.2.1 Activity: To re-tender for the supplier of actuarial services currently with Hymans Robertson due to expire 31 March 2024.

### 3.2.2 Key milestones:

Key Milestones.	Dates.	On target for completion?
Register to access national LGPS Frameworks.	May 2023.	Completed.
Draft specification of services required and associated documentation.	June – July 2023.	Completed.
Issue invitation to tender to suppliers on the Framework.	October 2023.	Completed.
Evaluate Tender responses.	December 2023	On target for rescheduled date
Clarification interview/presentation	January 2024	On target
Award Contract.	February 2024.	On target.

3.2.1 Update: The invitation to tender documentation was published in October with prospective bidders invited to submit responses by the end of November. The evaluation stage has been rescheduled for December and a stage has now been added to the process where bidders will be invited for an in-person clarification interview and presentation. The chair of the pension committee will be invited to join and will be able to ask questions to inform the evaluation process but will not be part of the evaluation panel.

### 3.3 Re-tender for legal services provider.

3.3.1 Activity: To re-tender for the supplier of legal services currently with Squire Patten Boggs due to expire 31 March 2024.

#### 3.3.2 Key milestones:

Key Milestones.	Dates.	On target for completion?
Register to access national LGPS Frameworks.	July 2023.	Completed.
Draft specification of services required an associated documentation.	July – August 2023.	Completed.
Issue invitation to tender to suppliers on the Framework.	September 2023.	Completed.
Evaluate tender responses.	October - November 2023.	On target.
Award contract.	December 2023.	On target.

3.3.3 Update: The invitation to tender documentation was published in October with prospective bidders invited to submit responses by the end of November. The evaluation of responses was concluded in November and the contract will be awarded in December.

### 3.4 Re-tender for pensions administration and pensioner payroll platform.

3.4.1 Activity: To re-tender for pensions administration and pensioner payroll platform currently with Heywood that is due to cease in September 2024.

#### 3.4.2 Key milestones:

Key Milestones.	Dates.	On target for completion?
Invitation to Further Competition exercise using National LGPS Frameworks.	April - June 2023.	Completed.
Evaluation and award.	July - September 2023.	Completed.
Year 0 transitional period.	October 2023 - September 2024.	Not applicable.
Go Live.	1 October 2024.	On target.

Update: Invitation to further competition was published 24 April 2023 with a closing date for responses of 19 June 2023. All suppliers on the framework submitted a bid and following the scoring and moderation process the contract was awarded to the incumbent supplier, Heywood Pension Technologies.

### 3.5 Review address and mortality screening services.

#### 3.5.1 Activity: The current contract for address tracing and mortality screening ceases in June 2023 with no ability to extend.

Following the 12 month extension of the contract a long term approach is now required from June 2024 onwards.

#### 3.5.2 Key milestones:

Key Milestones	Dates	On target for completion?
Develop a contract to enable the continuation of services past June 2023 (with the assistance of legal services).	April - May 2023.	Completed.
Both parties to sign up to new contract on existing terms.	May 2023.	Completed.
Review new LGPS Framework offerings and internal Fraud Hub options.	Rescheduled to January 2023 (assuming the Framework is released on schedule).	On target rescheduled date .
Develop approach for procurement of address and mortality screening services.	March 2024.	On target.

Update: A new contract has been entered into with Accurate Data Services on existing terms for a period of 12 months. In December 2023 the LGPS National Framework is due to be released and Officers will review alongside the Government Fraud Hub. The procurement approach will subsequently be developed by the end of March.

#### Core governance activities.

### 3.6 Review and implement changes required from the Pension Regulator's new Code of Practice.

#### 3.6.1 Activity: In March 2021 the Pensions Regulator launched a consultation on its revised code of practice for the pensions industry. The responses to the consultation have taken the Pensions Regulator longer than expected to digest and as such the new code of practice was expected to come into force early 2023. Once the code of practice is in force, the Fund will have six months to achieve full compliance with its contents.

3.6.2 Key milestones:

Key Milestones.	Dates.	On target for completion?
Develop an action plan of changes required on launch of code of practice.	TBC.	Awaiting release of the Code.
Present action plan to the Pension Fund Committee and Pension Board	TBC.	Awaiting release of the Code.
Present update on progress on action plan to the Pension Fund Committee and Pension Board.	TBC.	Awaiting release of the Code.

3.6.3 Update: The singular Code of Practice was due to be released by the Pensions Regulator in April 2023, but it did not materialise at this time. Once the Code is released funds will have 6 months to become fully compliant and an action plan will be developed to ensure this is achieved.

3.7 Continue to review cyber resilience.

3.7.1 Activity: Cyber-crime will continue to evolve and become increasingly sophisticated and as such this area will be regularly reviewed and monitored. The cyber action plan will be updated as and when necessary.

3.7.2 Key milestones:

Key Milestones.	Dates.	On target for completion?
Ongoing monitoring and development of the cyber strategy and action plan via the Business Plan Updates at each meeting of the Pension Committee and Pension Board.	April 2023 – March 2024.	On target.

3.7.3 Update: Activities are continuing to be undertaken against the Cyber Resilience Action Plan and three additional activities have also been added. The plan can be located in appendix B of the report (exempt).

3.8 Implement the best practice recommendations of the good governance review.

3.8.1 Activity: Following consultation with LGPS stakeholders, in February 2021, a number of recommendations for improvement were identified. Some would require the input of DLUHC to amend scheme regulations and publish statutory guidance, others by SAB and others for Funds to implement as best practice. The standards are due to be issued in 2023.

### 3.8.2 Key milestones:

Key Milestones	Dates	On target for completion?
Develop an action plan to implement the best practice activities.	TBC.	Awaiting release of the standards.
Present update on progress on action plan to the Pension Fund Committee and Pension Board.	TBC.	Awaiting release of the standards.
Implementation of activities requiring SAB and DLUHC guidance.	TBC.	Awaiting release of the standards.

3.8.3 Update: The good governance review standards are now due to be released early 2024.

## 3.9 Review the administrative performance of the Fund's additional voluntary contribution providers.

3.9.1 Activity: The Fund has two additional voluntary contribution (AVC) providers, Utmost Life and Prudential.

Since 2020 LGPS Funds across the country collectively became concerned about the administrative performance of Prudential citing cases of not allocating contributions to members' accounts in a reasonable time period and the disinvestment of funds from members' accounts taking several months to complete.

Although Funds are starting to see improvements with the administrative performance of Prudential it is now a good opportunity to conduct a review of the two AVC providers to ensure they remain suitable options for Cambridgeshire scheme members.

### 3.9.2 Key milestones:

Key Milestone	Dates	On target for completion?
Present to the Pension Committee the findings of the independent review alongside any recommendations for action (the timing of this will depend on the co-operation of the AVC providers in providing the necessary information for analysis by Aon.	October 2023.	Completed.

3.9.3 Update: The findings of the AVC review was presented to the Pension Fund Committee in October and the Pension Fund Board in November. Actions have been identified as part of the review which are already underway.

## Scheme member and data projects.

### 3.10 Complete the Guaranteed Minimum Pension Rectification

3.10.1 Activity: To complete the rectification stage for scheme members, making adjustments to pensions in payment where necessary.

3.10.2 Key milestones:

Key Milestones	Dates	On target for completion?
Manual rectification of outstanding records.	April 2023 to March 2024.	Estimated to complete following pause June 2024.

3.10.3 Update: As at 31 October, 66% of cases have been completed. As the project was running several weeks ahead of schedule, resources have been temporarily diverted to processing of undecided leavers activity (3.13) until 1 January 2024 when resources will be returned to this activity. The project is estimated to conclude by 30 June 2024 should it recommence as planned.

### 3.11 Application of the McCloud age discrimination remedy.

3.11.1 Activity: The pension records of scheme members within scope of the McCloud ruling will be rectified following the implementation of the age discrimination remedy, expected via amendment to legislation on 1st October 2023.

3.11.2 Key milestones:

Key Milestones.	Dates.	On target for completion?
Respond to DLUHC consultation on draft regulations (delayed from 2022 and still pending release).	June 2023.	Completed.
Devise communication plan for members and scheme employers.	September 2023 Rescheduled from May 2023.	Completed.
Undertake scheme member record preparations to identify members in scope of remedy in readiness for the application of the underpin.	April 2023 – September 2023.	Completed.
Application of the revised underpin following release of amended LGPS Regulations.	October 2023 onwards.	Ongoing.

3.11.3 Update: DLUHC launched a further consultation on supplementary McCloud issues and draft regulations in May 2023 and a response was submitted on behalf of the Cambridgeshire Pension Fund. DLUHC subsequently announced the outcome of the



consultation on 8 September, and laid The Local Government Pension Scheme Regulations 2023, which took effect from 1 October 2023.

Officers received training from Aon on 12 September 2023 in preparation of the changes.

The Cambridgeshire Pension Fund has 18,046 members (20,246 employment records) in scope of the remedy for which further guidance is awaited from DLUHC to apply the remedy and calculate any retrospective adjustments. Additional cases may come to light when other LGPS and Public Sector Service is identified putting current non eligible members into scope.

The Fund's administration system is largely applying the underpin as expected. There will be some continued development in this area where issues are identified. In the meantime, there will be elements of manual intervention to ensure there is no detriment to members or backlogs accruing.

McCloud web pages have been created for members and employers, which link through to centrally produced McCloud resources and wording provided by the LGA has been inserted into existing letters for cases from 1 October 2023 where the underpin applies. The next step is to review LGA template letters received that satisfy the disclosure requirements and communicate these in the most effective manner. Communications have also been developed and uploaded to Member Self Service accounts to meet disclosure regulations, in addition supplementary signposting via email, newsletters and the website has been provided. For members who have opted out of electronic communications and deferred members where we do not hold an email address letters have been sent.

A draft version of the 'McCloud prioritisation policy' was circulated by LGA on behalf of DLUHC on 12 October with the intention to release the final version early 2024. Officers will review the draft policy ahead of the release date and start preparations where possible. The administrator guidance is currently in development.

### 3.12 Prepare for the implementation of Pension Dashboards.

3.12.1 Activity: In the 2016 Budget, the Government made a commitment that Pension Dashboards would be created by the pensions industry, enabling pension savers to view details of all their pensions together.

The activity will be updated following the DWP announcement to reset the Pension Dashboard Programme and the delay to connection deadlines.

#### 3.12.2 Key milestones:

Key Milestones	Dates	On target for completion?
Continue to work with the pensions administration software supplier to connect to a Pensions Dashboard by the revised deadline which is TBC.	TBC following project reset.	TBC once DLUHC issue staging guidance.

Key Milestones	Dates	On target for completion?
Undertake project plan activities to enable connection to the Dashboard including data cleansing activities.	TBC.	TBC once DLUHC issue staging guidance.
Connect to the Dashboard.	31 October 2026.	On target.
Pension Dashboard Go Live.	TBC.	TBC.

3.12.3 Update: A staging timetable will be set out in connection guidance and is due to be released late 2023. The staging timetable will indicate when schemes are scheduled to connect, based on their size and type. The table will be updated when the guidance is published to ensure the Fund complies with the new requirements. In the meantime PASA has published value data guidance which provides schemes with good practice approaches to providing data to the dashboards.

### 3.13 Processing of undecided leaver records.

3.13.1 Activity: To reduce the backlog by 2,500 cases per year for the next 2.5 years from a baseline of approximately 8,500 at March 2023.

3.13.2 Key milestones:

Key Milestones	Dates	On target for completion?
Reduce aged cases by 2,500.	April 2023 – March 2024.	At risk – see comments in update below.
Reduce aged cases by 2,500.	April 2024 – March 2025.	On target.
Reduce aged cases to BAU baseline (<2,000).	April 2025 – September 2025.	On target.

3.13.3 Update: The baseline at April 2023 was just under 8,900 cases. As at 31 October 2023 the aged cases outstanding are down to 7,444, a drop of 1,407 cases (15.9%) from the revised April 2023 baseline. Progress during October was restricted due to the team's resources being directed towards the implementation of the McCloud remedy. Due to the resourcing risks associated with McCloud this activity has been moved to a RAG status of Amber.

### Investment related activities.

### 3.14 Continue development of the ACCESS asset pool.

3.14.1 Activity: The ACCESS asset pool Authorised Contractual Scheme (ACS) sub-fund structure is now at a mature stage with ongoing developments prioritising completing the sub-fund pipeline and putting in place supplementary sub-funds as and when required.

Other developments within the ACCESS pool include the non-listed work programme, Operator re-procurement, and the Phase II ESG/RI procurement.

### 3.14.2 Key milestones:

Key Milestones	Dates	On target for completion?
Development of ACS sub-fund pipeline.	April 2023 – October 2024.	On target.
Non-listed (property, infrastructure, private equity, private debt) programme development.	April 2023 – December 2024.	On target.
ESG/RI Phase II procurement and reporting developments.	April 2023 – March 2025.	Revised timeline being set December 2023.
Operator re-procurement.	April 2023 – March 2025.	On target.

3.14.3 Update: UK Core Real Estate Mandate has been awarded to CBRE. For the UK Alternative Building Blocks, Apex/ACCESS focus will be on impact investing, affordable housing and long lease investments. PIRC has been appointed to provide external advice and support in respect of the implementation of the RI Guidelines and delivery of the reporting requirements. This activity has been moved back to a RAG status of Green following the re-commencement of non-listed activity.

## 3.15 Continue activities within the Fund's Climate Action Plan.

3.15.1 Activity: During 2023-24 the Fund will continue to focus on the milestone dates within the plan which are key to ensure the Fund is on the correct path to achieve “net-zero” carbon emissions by 2050 at the latest.

### 3.15.2 Key milestones:

Key Milestones.	Dates.	On target for completion?
To complete the activities against the Climate Action Plan.	April 2023 to March 2024.	On target.

3.15.3 Update: Implementation of the Climate Aware Passive equities has been completed and this has been reported to the Sept ISC (UBS Climate Aware and Osmosis). In May 2023 the Investment Sub Committee reviewed the progress against decarbonisation targets, adopted a new primary metric for monitoring progress against the existing decarbonisation targets and agreed to include Scope 3 emissions in the Fund's target setting once reporting improves. In November 2023 the ISC received a positive progress update, with carbon intensity in connection with the Fund's equity portfolio assessed as having reduced by circa 53.5% as at 30 June 2023 against a 2030 target of a 59% reduction.

### 3.16 Implement the revised Investment Strategy.

3.16.1 Activity: A review of the Fund's investment strategy was undertaken in March 2023 resulting in changes to its strategic asset (SAA).

Work will be undertaken throughout 2023-24 to action implement these changes.

#### 3.16.2 Key milestones:

Key Milestones.	Dates.	On target for completion?
Expiry of Equity Protection.	May 2023.	Complete.
Sales of listed equity and increase in Multi-Asset Credit.	2023-24	On target.
Consideration of preferred characteristics of new commitments for Infrastructure investments.	May 2023.	Complete.
Switch of Gilts from segregated accounts to the UBS pooled fund.	Q1 2024.	On target.
Republish Investment Strategy	December 2023.	Complete.
Investment into long-lease property via ACCESS.	Q4 2024	On target.
Investment into timberland via ACCESS	2024	On target

3.16.3 Update: Work has been progressed to switch the segregated index linked gilts to UBS pooled funds, expected to complete January 2024.

In August 2023, sales of Global Equity were used to fund a 1.5% increase in allocation to M&G Multi-Asset Credit, with a further 1.5% due to be allocated to BlueBay MAC once the ESG MAC is launched by ACCESS. In November 2023, due to ongoing delays with the ESG MAC product launch within ACCESS (now January 2024), a decision was made in consultation with the S151 Officer to increase the BlueBay MAC allocation outside of ACCESS to match the Strategic Asset Allocation agreed by the Committee.

Following the ISC's decision to implement a 1% allocation to timberland, APEX are now scoping out a pooled offering, with a chosen supplier expected to be available by the end of 2024. In November 2023, the ISC approved a 3% allocation into the Aviva Lime Property Fund through ACCESS.

#### Communications.

### 3.17 Implement recommendations from the review of the website and digital communications.

3.17.1 Activity: A review of the Fund's websites was carried out in 2022/23, the review assessed whether the website was still fit for purpose in meeting the needs of stakeholders and explored alternative options including moving the hosting of the

member related information pages away from our software supplier Heywood and hosting both member and employer pages internally on a single website. Approval from the Pension Committee was granted to implement the recommendation from the review.

### 3.17.2 Key milestones:

Key Milestones.	Dates.	On target for completion?
Funding for the website development approved.	March 2023.	Completed.
Resources in place eg recruitment	May 2023.	Completed.
High fidelity designs created.	August 2023.	Completed.
New website built.	March 2024.	Completed.

3.17.3 Update: High fidelity designs partly based on the .gov.uk approach to web design have been created and user testing of the different options has begun. The project is currently and expected to remain within the agreed budget of £30,000.

## 3.18 Implement equality, diversity and inclusion (EDI) best practices.

3.18.1 Activity: The Pensions Regulator has published guidance to help improve pension schemes' equality, diversity and inclusion. Pension schemes have legal duties to scheme members, and good decision making is key to ensuring those duties are met. EDI supports robust discussion and effective decision making and is an important consideration for schemes. The Cambridgeshire Pension Fund will be aiming to improve its equality, diversity and inclusion via these best practices.

### 3.18.2 Key milestones:

Key Milestones.	Dates.	On target for completion?
Fully review TPR guidance and produce an action plan, including delivery of relevant training.	October 2023 – March 2024.	On target.

3.18.3 Update: The Pensions Regulator issued a survey to Board members in July 2023 with the intention to collect views on equality, diversity and inclusion. The responses were anonymised and used to improve EDI on pension scheme governing bodies. The next stage is to produce an action plan of the activities the Fund needs to undertake to improve EDI outcomes.

## 3.19 Review of investment consultancy contract

3.19.1 Activity: The current investment consultancy contract expires September 2024, with the ability to extend up to a maximum of three years.

### 3.19.2 Key Milestones:

Key Milestones.	Dates.	On target for completion?
Complete Investment Consultancy (IC) Objectives review	July 2024	On target.
Decision as to whether to extend or re-procure the investment consultancy contract	October 2024.	On target.
Implement Committee decision	October 2024 – March 2025	On target.

3.19.3 Update: The agreed pathway is to align a decision regarding the investment consultancy contract to the annual IC objectives review with a decision at the meeting following the review. This would require a short-term extension to the investment consultancy contract should a procurement be required.

## 4. Relevant Fund objectives.

4.1 To continually monitor and measure clearly articulated objectives through business planning.

## 5. Risk Management.

5.1 The Pension Fund Committee approves the Annual Business Plan and Medium-Term Strategy every March for the upcoming year. The plan highlights the key activities of the Fund, and the progress of these activities are reported through the Business Plan Update reports provided to the Pension Fund Committee and Pension Fund Board at every meeting.

5.2 The risks associated with failing to monitor progress against the Business Plan have been captured in the Fund's risk register as detailed below:

Risk.	Residual risk rating.
Those charged with the governance are unable to fulfil their responsibilities effectively.	Green.
Failure to provide relevant information to the Pension Committee/Pension Board to enable informed decision making.	Green.
Pension Fund objectives not defined and agreed.	Green.

5.3 Please see the [Cambridgeshire Pension Fund Risk Register Executive Summary](#)

## 6. Communication Implications.

The Business Plan Update will be presented to the Pension Fund Committee and Pension Fund Board at each meeting.

## 7. Finance & Resources Implications.

7.1 Any updated financial implications are set out in the relevant activities.

## 8. Legal Implications.

8.1 No material issues have been identified which may give rise to legal liability and/or risk from an administering authority perspective.

8.2 Implications may arise if the Fund is not compliant with the relevant legislation linked to the activities within this report.

## 9. Consultation with Key Advisers.

9.1 Squire Patton Boggs conducted a review of the paper for legal implications.

## 10. Alternative Options Considered.

10.1 Not applicable.

## 11. Background Papers.

11.1 [Council and committee meetings - Cambridgeshire County Council > Meetings \(cmis.uk.com\)](#)

## 12. Appendices.

12.1 Appendix 1 – Variances against the forecast of investments and administration expenses based on original setting of assumptions.

Appendix 2 – Cyber activity action plan – **exempt**

Appendix 3 - Climate Action Plan

## Checklist of Key Approvals

Has this report been cleared by Section 151 Officer? Sarah Heywood – 29/11/2023

Has this report been cleared by Head of Pensions? Mark Whitby – 20/11/2023

Has this report been cleared by Monitoring Officer? Emma Duncan – 28/11/2023

Appendix 1 – Variances against the forecast of investments and administration expenses based on original setting of assumptions.

Fund Account.	2023/24 Budget.	2023/24 Forecast.	Variance	Comments.
	£000	£000	£000	
Contributions.	148,000	155,000	7,000	2 large employers elected to pay a prepayment of their annual deficits up to 25/26 in 23/24. The 23/24 estimate only counted their 23/24 deficits for these employers, which caused the £7m variance. Demand led.
Transfers in from other pension funds.	11,000	15,400	4,400	
<b>Total income.</b>	<b>159,000</b>	<b>170,400</b>	<b>11,400</b>	
Benefits payable.	(137,000)	(136,000)	1,000	Benefits in line with current membership numbers. Demand led.
Payments to and on account of leavers.	(9,000)	(12,100)	(3,100)	
<b>Total Payments.</b>	<b>(146,000)</b>	<b>(148,100)</b>	<b>(2,100)</b>	
Net additions/(withdrawals) from dealings with members.	<b>13,000</b>	<b>22,300</b>	<b>9,300</b>	
Management Expenses (Invoiced).	(4,947)	(5,064)	(117)	See below.  Fees from prior year plus actuarial growth assumption on AUM at June 23 to March 24.
Management Expenses (Non-invoiced).	(22,900)	(20,000)	(2,900)	
<b>Total Management Expenses</b>	<b>(27,847)</b>	<b>(25,064)</b>	<b>2,783</b>	
<b>Total income less expenditure.</b>	<b>(14,847)</b>	<b>(2,764)</b>	<b>12,083</b>	
Investment income.	34,000	68,000	34,000	Actual income received to Q1 plus three estimated quarters.
Taxes on income.	-	-	-	
profit and (losses) on disposal of investments and changes in the market value of investments	204,000	190,000	(14,000)	Actual Q1 return followed by actuarial long term growth assumption.
<b>Net return on investments.</b>	<b>238,000</b>	<b>258,000</b>	<b>20,000</b>	



Fund Account.	2023/24 Budget.	2023/24 Forecast.	Variance	Comments.
	£000	£000	£000	
Net increase/(decrease) in the net assets available for benefits during the year.	223,153	255,236	32,083	

<b>Management Expenses.</b>	<b>2023-24 Budget</b>	<b>2023-24 Forecast</b>	<b>Variance</b>	<b>Comments.</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	
Total Administration Expenses.	(3,221)	(3,243)	(22)	See below.
Total Governance Expenses.	(881)	(943)	(62)	Payroll for final IHLI termination account from 2021 - not included in 23/24 budget <sup>1</sup> .
Total Investment Invoiced Expenses.	(845)	(878)	(33)	Increased custodian fees due to transitions that took place during Q1
<b>Total Management Expenses.</b>	<b>(4,947)</b>	<b>(5,064)</b>	<b>(117)</b>	

<b>Administration Expenses Analysis.</b>	<b>2023-24 Budget</b>	<b>2023-24 Forecast</b>	<b>Variance</b>	<b>Comments.</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	
Staff Related.	(2,080)	(2,115)	(35)	
Altair administration and payroll system.	(485)	(461)	24	
Data assurance.	(25)	(40)	(15)	A more proactive approach to address tracing has been undertaken in preparation for Dashboards.
Communications.	(51)	(51)	-	
Other Non-Pay and Income.	(27)	(23)	4	
Council Overhead Recovery.	(553)	(553)	-	
<b>Total Administration Expenses.</b>	<b>(3,221)</b>	<b>(3,243)</b>	<b>(22)</b>	

<sup>1</sup> Settlement of ill health insurance with Legal and General. Delays in payments are due to allowing for an extended period after the policy end date to ensure no further claims will arise and updates to the data provided that required several iterations before accurately calculating the final settlement figure.

## **Cambridgeshire Pension Fund - Climate Action Plan**

### **Calendar Year**

#### **Quarter 1 2022**

Agree decarbonisation pathway and targets that align the beliefs and ambitions of the Investment Sub Committee (ISC). The ISC agreed target reductions in absolute carbon emissions of the Fund's listed equity holdings of at least: <ul style="list-style-type: none"><li>• 23% from June 2021 baseline by 2024</li><li>• 57% from June 2021 baseline by 2030</li></ul>	✓
Communicate agreed targets and aspirations to investment managers	✓
Instruct advisers to investigate high level approaches to climate aware passive equity investing	✓
Publish Climate Action Plan	✓

#### **Quarter 2/3 2022**

ISC receive training on strategic options to decarbonise the Pension Fund's active equity portfolio, including setting targets for existing managers and considering sustainable and impact equity and/or UN Sustainable Development Goals (SDG) alignment	✓
ISC receive report on high level climate aware passive equity options	✓

#### **Quarter 3/4 2022**

Receive implementable proposal on carbon aware passive equity portfolio	✓
Prepare and publish reporting in line with the Task-Force on Climate-Related Financial Disclosures (TCFD) disclosure requirements for the 2021-22 Fund annual report	✓

### **2023**

#### **Quarter 1 2023**

Agree managers and portfolio structures for climate aware passive investing	✓
Analysis of climate metrics as at 30/06/22	✓

### **Quarter 2 2023**

Review progress against targets and appropriateness of metrics.	✓
Continue to engage with existing active equity managers around decarbonisation approaches - as required	✓
Engage with private asset managers to improve carbon data provision for portfolios and increased ESG integration	
Implement carbon aware passive equity in Q2 2023	✓
ISC consider proposals for impact investing in private markets - Infrastructure	✓

### **Quarter 3 2023**

Engage with ACCESS on sustainable/impact infrastructure managers (based on Committee preferences following Q2 2022 discussion)	✓
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### **Quarter 4 2023**

Analysis of climate metrics as at 30/06/23	✓
ISC consider proposals for sustainable/impact investing in listed equity as part of equity portfolio review	

## **2024**

### **Quarter 1 2024**

ISC consider proposals for including asset classes beyond listed equity in climate reporting and target setting	
Consider setting more granular targets across: - Sustainable/Climate solutions - Transition alignment - Stewardship	
ISC receive report on availability of data and approach on alternatives assets	
ISC consider proposals for sustainable/impact investing in private markets (Private equity/property)	
Review progress against targets and appropriateness of metrics	
Consider draft UK Stewardship Report ahead of submission to FRC	
ISC consider feasibility of including Scope 3 within emissions reduction reporting and targets	

### **Quarter 2 2024**

Use insights and recommendations to shape discussions and support climate change reporting (TCFD) - awaiting outcomes of consultation	
Consider potential connections to biodiversity/natural capital	
Submit approved UK Stewardship Report to FRC	

### **Quarter 3 2024**

Continuation of the work with active managers to implement carbon reduction measures and increase the sustainability of the portfolios they manage	
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## Cambridgeshire Pension Fund

Pension Fund Committee

20 December 2023

Report by: Head of Pensions

Subject: Governance and Compliance Report

Purpose of the Report: To provide the Pension Fund Committee with information on:

- 1) Pensions Dashboards (section 3).
- 2) McCloud (section 4).
- 3) Scheme Advisory Board (section 5).
- 4) Investment pooling consultation response (section 6).
- 5) Cambridgeshire Pension Fund Committee – ‘all other employers’ representation (section 7).
- 6) Skills and knowledge opportunities (section 8).
- 7) Officer reviews of Fund policies and strategies (section 9).

Recommendations: The Pension Fund Committee is asked to:

- 1) Note the Governance and Compliance Report;
- 2) Note the immaterial amendments to be applied to policies and strategies (section 9).

Enquiries to: Michelle Oakensen, Governance and Regulations Manager  
[michelle.oakensen@westnorthants.gov.uk](mailto:michelle.oakensen@westnorthants.gov.uk)

### 1. Background.

- 1.1 This is a standing report that identifies issues concerning the governance of the Local Government Pension Scheme (LGPS) and potential, new, amending and overriding legislation that will have an impact on how the Scheme is managed and on members' benefits.

### 2. Executive Summary.

- 2.1 This report provides the Pension Fund Committee with information on the following significant current issues which have an impact on the governance, management and administration of the Cambridgeshire Pension Fund.

- Pensions Dashboards
- McCloud
- Scheme Advisory Board

- 2.2 The report also provides details of any proposed immaterial amendments to be made to policies or strategies as a result of Officer reviews.

### 3. Pensions Dashboards.

#### 3.1. Dashboards survey

- 3.1.1 On 20 October 2023 the National LGPS Technical Group issued administering authorities with a Pensions Dashboards survey. The survey gathered information about the administering authorities' progress in implementing the Pensions Dashboards.

#### 3.2 Common questions on Pension Dashboards

- 3.2.1 The Pensions Dashboards Programme published a blog addressing some of the common dashboard questions. The blog covers:

- How is connection guidance different to the connection deadline.
- When will guidance be published, and how will PDP engage with industry.
- Upcoming examples of how dashboards will look.

- 3.2.2 The blog can be found [here](#).

#### 3.3 National LGPS Technical Group – AVCs and dashboards

- 3.3.1 At its meeting of 29 September 2023, the National LGPS Technical Group agreed to form a sub-group to look at AVCs and dashboards.
- 3.3.2 The sub-group will work with all LGPS AVC providers to establish common approaches on matching and providing value data.
- 3.3.3 The LGA will support the sub-group, which comprises representatives from software providers and administering authorities. Progress from the sub-group will be published in the National LGPS Technical Group minutes.

#### 3.4 The Pensions Regulator blog on the dashboard checklist

- 3.4.1 The Pensions Regulator has published a blog encouraging schemes to follow their dashboard checklist.
- 3.4.2 The blog also warns schemes they need to start preparing for dashboards now, as it will take time and involve a lot of work. Schemes should not lose focus of this while they wait for their target connection dates.
- 3.4.3 The blog can be found [here](#).
- 3.4.4 Updated progress against the checklist for the Cambridgeshire Pension Fund will be presented to the Committee in March 2024.

### 4. McCloud

#### 4.1 Consultation cases

- 4.1.1 The Department for Levelling Up, Housing and Communities (DLUHC) would like to know if administering authorities receive any applications for McCloud compensation.
- 4.1.2 For example, an authority might receive an application from a member who overpaid an annual allowance charge that HMRC will not refund.
- 4.1.3 Depersonalised details are required to be submitted to DLUHC as and when cases arise.

#### 4.2 Dedicated areas of member websites

- 4.2.1 LGA have created new areas in the member websites dedicated to the McCloud remedy. The new pages include:
- a short video
  - frequently asked questions
  - an interactive 'Am I affected?' tool



- examples of how members might be affected
- detailed information about how the remedy will affect different types of members.

4.2.2 The Pension Service provides a link directly from the McCloud Remedy pages of the website and can be found [here](#).

#### 4.3 Initial prioritisation policy

4.3.1 On 12 October 2023, on behalf of DLUHC, LGA emailed administering authorities in England and Wales. The email included a link to DLUHC's initial policy on how to prioritise cases affected by the McCloud remedy.

4.3.2 The policy is not yet final. It will be discussed with the McCloud statutory guidance working group. DLUHC will also consult on the policy before a final version is issued early next year.

#### 4.4 Interfund transfers and the underpin

4.4.1 Certain transfers for members with underpin protection are on hold until the actuarial guidance for transfers is updated for the McCloud remedy. DLUHC confirm:

- administering authorities can continue paying interfund transfers for members with underpin protection using the methodology in the current actuarial guidance.
- authorities will not need to review these payments when the guidance is updated.

4.4.2 The sending authority must make sure they provide the receiving authority with the information they need to perform accurate underpin calculations. The sending authority should have:

- loaded any hour changes and service breaks for the remedy period
- validated that information, and
- if the member is over age 65, supplied the provisional underpin amount, provisional assumed benefits and the underpin date.

4.4.3 It should not be necessary for the receiving authority to take any additional steps to verify the information they receive.

#### 4.5 McCloud survey

4.5.1 On 20 October 2023 the National LGPS Technical Group, emailed administering authorities with a McCloud survey. The survey gathered information about administering authorities progress in implementing the McCloud remedy.

#### 4.6 Teachers' excess service – TPS communications

4.6.1 The Teachers' Pension Scheme (TPS) has issued its first communications to employers about the McCloud remedy for teachers with excess service. Administering authorities may start to receive queries from employers about this issue.

4.6.2 A teacher has excess service if they have a part time teaching post as well as a fulltime role. Unprotected teachers in this group will become retrospectively eligible for membership of the LGPS for the period from 1 April 2015 to 31 March 2022.

#### 4.7 Templates for member correspondence and disclosure article

4.7.1 LGA are working with the Communications Working Group to produce templates for administering authorities to use to communicate with their members about the McCloud remedy. Authorities can find the initial draft on the LGPS administrator websites in the administrator guides.

4.7.2 The first draft includes paragraphs administering authorities can add to existing letters to members protected by the underpin from 1 October 2023:

- ‘compulsory’ retirement quote letter – where the retirement date is fixed, such as redundancy/efficiency retirement, ill health retirement or age 75
- ‘optional’ retirement quote letter – where the member is under age 75 and may choose to delay payment to a later date
- retirement estimates provided on the member’s request
- deferred benefits calculation.

4.7.3 An article to inform members about the changes has also been produced. The article satisfies the requirements set out in the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013. Administering authorities must inform all members who might be affected by the changes as soon as possible and, in any event, by no later than 31 December 2023.

## 5. Scheme Advisory Board

### 5.1 Academy conversions guidance

5.1.1 On 19 October 2023, the SAB published guidance on academy conversions. The guidance is published in response to a recommendation in the Section 13 Report on the 2019 fund valuations, produced by the Government Actuary’s Department (GAD).

5.1.2 The guidance explains the common actuarial approaches LGPS administering authorities use when a local authority school converts to an academy. It was developed in a collaborative way by a working group. The group included representatives from GAD, the Department for Levelling Up, Housing and Communities (DLUHC), the Department for Education, fund practitioners, fund actuaries, academy school representatives and trade unions.

5.1.3 The guidance can be found [here](#).

### 5.2 DLUHC consultation on investment reforms

5.2.1 On 2 October 2023 the SAB published its full response to the investment consultation. The consultation contained proposals in a range of areas, including:

- setting a target date for the migration of all listed assets to pools
- a proposal to move to fewer pools - with a target size of £50 billion
- a requirement for funds to have a plan to invest up to 5 per cent of assets to support levelling up in the UK
- a proposal for funds and pools to dedicate 10 per cent of assets to private equity investments.

5.2.2 The Board’s response was shaped by a working group comprising of councillors, scheme representatives and practitioners from the Board’s membership, led by Board Chair, Cllr Roger Phillips.

### 5.3 Knowledge and Skills survey

5.3.1 The SAB Compliance and Reporting Committee issued a survey for completion by pension committee and local pension board members that closed on 6 November 2023.

5.3.2 The survey seeks to gather information on the experience of pension committee and local pension board members in obtaining the required knowledge and skills for their role. It builds on a survey issued earlier this year which also captured the views of officers. The data collected will not be shared on an individual or identifiable basis.

## 6. Investment pooling consultation response

- 6.1 Following the submission of the Pooling Consultation on 28 September, a response has subsequently been published outlining the Government's intention to move forward with the key proposals via the issuing of guidance.
- 6.2 The pooling consultation outcome can be found [here](#).

## 7. Cambridgeshire Pension Fund Committee – 'all other employers' representation

- 7.1 As per the constitution, the term for the 'all other employers' representation on the Pension Fund Committee is due to expire and all eligible employers within the Cambridgeshire Pension Fund have been invited to nominate an individual from their organisation for this role.
- 7.2 The deadline for nominations was 17 November 2023 and the process (which includes a voting exercise) is due to be completed by 22 December 2023.
- 7.3 The appointment method was agreed in advance by both the Monitoring Officer and Chair of the Pension Fund Committee.

## 8. Skills and knowledge opportunities.

- 8.1 The Public Services Pensions Act 2013 and the Pensions Regulator's Code of Practice (Governance and administration of public service pension schemes) require all members of the Pension Fund Committee to maintain the necessary skills and knowledge to undertake their role effectively.
- 8.2 In addition, in order to facilitate the acquisition of skills and knowledge for members of the Pension Fund Committee, appendix 1 lists the main events that are deemed useful and appropriate.
- 8.3 If members of the Pension Fund Committee would like to attend any of the events listed in appendix 1, please contact a member of the Fund's governance team who will make the necessary arrangements if an invitation has not already been sent.
- 8.4 The Training Strategy was approved at the July meeting of the Pension Committee and members have until 20 July 2024 to complete the mandatory training modules on the Online Training Platform. Here is a copy of the [Training Strategy](#) for reference.

## 9. Cambridgeshire Pension Fund Policy/Strategy updates.

- 9.1 In March 2023 the Pension Fund Committee agreed for all policies and strategies to be reviewed by the Committee on a three year cycle (unless stated otherwise) with Officer reviews to be conducted on an annual basis or as deemed necessary.

9.2 For the period the following non material amendments are due to be applied:

Policy/Strategy	Review reason	Amendments made
Data Improvement Policy	Officer annual review due.	None.
Cyber Strategy	Officer annual review due.	1) Inserted a section on the roles and responsibilities relating to the Strategy and included delegated authority of the Committee. 2) Growing risk has been replaced with significant risk. 3) TPR Code of Practice references updated – due to be released early 2024. 4) Changed administering authority references to 'Fund' for consistency throughout the Strategy. 5) Added cyber security considerations to appointing or reappointing of advisors. 6) Incident response plan wording changed to reflect it is now in place.

10. Relevant Pension Fund Objectives.

Has robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance. *Objective 1.*

Manages the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers. *Objective 2.*

Ensures the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment. *Objective 3.*

To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. *Objective 5.*

11. Risk Management.

11.1 The mitigated risks associated with this report has been captured in the Fund's risk register as detailed below –

Risk.	Residual risk rating
Those charged with governance are unable to fulfil their responsibilities effectively.	Green
Failure to administer the scheme in line with regulations and guidance.	Green
Failure to provide relevant information to the Pension Fund Committee/Pension Board to enable informed decision making.	Green

- 11.2 The Fund's risk register can be found on the Pensions website: [Cambridgeshire Pension Fund Risk Register](#).
- 12. Communication Implications.
  - 12.1 Training - All staff involved in the administration of the LGPS are aware of how any new developments impact on the calculation and payment of benefits from the scheme.
  - 12.2 Employers - All relevant items are communicated to scheme employers via website updates.
- 13. Finance & Resources Implications.
  - 13.1 There are no financial and resource implications associated with this report.
- 14. Legal Implications.
  - 14.1 No material issues have been identified which may give rise to legal liability and/or risk from an administering authority perspective.
  - 14.2 Implications may arise if the Fund is not compliant with the relevant legislation linked to the activities within this report.
- 15. Consultation with Key Advisers.
  - 15.1 The LGPS Online Learning Academy is a Hymans product.
  - 15.2 Squire Patton Boggs conducted a review of the paper for legal implications.
- 16. Alternative Options Considered.
  - 16.1 Not applicable.
- 17. Background Papers.
  - 17.1 None.
- 18. Appendices.
  - 18.1 Appendix 1 Skills and Knowledge training schedule.

### Checklist of Key Approvals

Has this report been cleared by Section 151 Officer? Sarah Heywood – 29/11/2023  
Has this report been cleared by Head of Pensions? Mark Whitby – 17/11/2023  
Has this report been cleared by Monitoring Officer? Emma Duncan – 28/11/2023



## Appendix 1

### Training plan 2023/24

Date	Training	Method of delivery	Delivered by	Target audience	Additional Information
<b>APR</b>					
<b>MAY</b>					
<b>JUN</b>	Local Authority Conference 2023	Conference – face to face	Pension and Lifetime Savings Association (PLSA)	Committee, Board & Officer	26-28 <a href="#">Local Authority Conference PLSA (Cotswolds)</a>
<b>JULY</b>	Heywood Officer Conference	Conference – face to face	Heywood	Officer	12-13 July in Manchester
<b>AUGUST</b>					
<b>SEPTEMBER</b>	Investment and Pensions Summit	Conference – face to face	Local Government Chronicle (LGC)	Committee, Board & Officer	7-8 September in Leeds. <a href="#">LGC Investment &amp; Pensions Summit 2023 - Home Page (lgcplus.com)</a>
	McCloud training for administration teams	Virtual	Aon	Officer	12 September 2023
	Pooling Consultation	Virtual	In House	Committee & Board	22 September 2023
	Timberland training	Virtual	Mercer	Committee & Board	29 September 2023
<b>OCTOBER</b>					
<b>NOVEMBER</b>	Investor Day	Conference – face to face	LINK (Waystone)	Committee & Officer	30 November 2023 London



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## Cambridgeshire Pension Fund

### Appendix 1

Date	Training	Method of delivery	Delivered by	Target audience	Additional Information
<b>DECEMBER</b>	Annual Conference 2022	Conference – face to face	Local Authority Pension Fund Forum (LAPFF)	Committee, Board & Officer	6-8 December 2023 Bournemouth.
<b>JANUARY</b>	Governance Conference	Conference – hybrid	Local Government Association (LGA)	Committee, Board & Officer	18-19 January 2024 (online/York)
<b>FEBRUARY</b>	Equality, Diversity and Inclusion (EDI)	TBC	Aon	Committee, Board & Officers	TBC
<b>MARCH</b>					



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# Cambridgeshire Pension Fund

Pension Fund Committee

20 December 2023

Report by: Head of Pensions

Subject:	Cambridgeshire Pension Fund Potential Breaches of the Law Report
Purpose of the Report:	To highlight potential breaches of the law in relation to the management and administration of the Fund. The report aims to provide assurance to the Cambridgeshire Pension Fund Committee that adequate controls are in place for both identifying and reporting such breaches.
Recommendations:	The Pension Fund Committee is asked to note the potential breaches of the law and associated control measures.
Enquiries to:	Michelle Oakensen Governance and Regulations Manager <a href="mailto:michelle.oakensen@westnorthants.gov.uk">michelle.oakensen@westnorthants.gov.uk</a>

## 1. Background

- 1.1 As required by clause 70 of the Pensions Act 2004, and laid out in the TPR Code of Practice for Public Service Pension Schemes 14, certain individuals are required to report breaches of the law to TPR where they have reasonable cause to believe that:
  - A legal duty which is relevant to the administration of the scheme has not been, or is not being, complied with.
  - The failure to comply is likely to be of material significance to the regulator in the exercise of any of its function.
- 1.2 Those who are subject to the reporting requirements (“reporters”) for public service pension schemes are:
  - Scheme Managers i.e., pension committee members and officers involved in the management of the fund at the administering authority
  - Members of pension boards
  - Participating employers
  - Professional advisers (this includes individuals such as the Fund’s external auditor, actuary, investment consultant, governance/benefit consultant and legal adviser)
  - Any person who is otherwise involved in advising the managers of the scheme in relation to the scheme
  - Any person who is otherwise involved in the administration of a public service pension scheme.

- 1.3 In addition to the legal requirements, TPR's Code of Practice provides expectations that schemes should be satisfied that:
- those responsible for reporting breaches are made aware of the legal requirements and their guidance
  - they have a sufficient level of knowledge and understanding to fulfil that duty and
  - they have appropriate procedures in place to identify and assess
- 1.4 The Cambridgeshire Pension Fund has in place a 'Reporting Breaches of the Law to the Pensions Regulator Policy' and this report is designed to be supplementary in providing detail of the types of potential breaches the Fund may encounter.
- ## 2. Executive Summary
- 2.1 The below potential breach areas are covered by the Pensions Act 2004 and the Pensions Regulator's (TPR) Code of Practice and the detail for each can be found in sections 3.1-3.8 of the report.
- Knowledge and understanding
  - Conflicts of interest
  - Publishing information about schemes
  - Scheme record keeping
  - Internal controls
  - Contributions
  - Providing information to members
  - Internal dispute resolution
- 2.2 The below potential breach areas are covered by the LGPS Regulations, the detail can be found in Appendix 1 of the report.
- Membership
  - Contributions
  - Pension accounts and benefits
  - Strategies, statements and reports
  - Actuarial valuations
  - Payments
  - Decisions
  - Transfers
  - Governance
  - Investment
- 2.3 There are other regulatory requirements the Cambridgeshire Pension Fund must adhere to; these are listed below. Details of the requirements in these areas are covered in Appendix 2 of the report.
- Finance Act and HMRC requirements
  - Public Sector accessibility requirements
  - Pensions Dashboards
  - Data protection and information requests
  - Data breaches

2.4 Section 3.9 of the report highlights potential Pensions Regulator consequences from breaches of the law.

### 3. Details of potential breaches that fall within the Pensions Act 2004 and TPR's Code of Practice

#### 3.1 Knowledge and Understanding

- 3.1.1 Requirement: A member of the pension board of a public service pension scheme:
- must be conversant with the rules of the scheme, and any document recording policy about the administration of the scheme.
  - must have knowledge and understanding of the law relating to pensions, and any other matters which are prescribed in regulations.

Controls in place	Measures against the controls & oversight
Training Strategy in place.	Regularly reviewed in line with approved review cycle and published on the Pensions Service website. Prescribed timescales for mandatory training to be undertaken and the Chair of respective Committee/Board is notified of non-compliance.
Training recorded in the Annual Report and statement of Accounts.	Annual Report published by 1 December each year. Draft and final report presented to the Committee and Board each year.
Adequate policies and strategies in place.	Regularly reviewed in line with approved review cycle and published on the Pension Service website (except Cyber).
Activities undertaken by the Committee and Board are reported to Full Council.	An annual report is approved by the Chair of the Pension Committee and taken to Full Council for oversight purposes. The Board's annual report is produced by Democratic Services and presented at a Board meeting prior to being taken to Full Council.

#### 3.2 Conflicts of Interest

- 3.2.1 Requirement: The scheme manager must be satisfied:
- that a person to be appointed as a member of the pension board does not have a conflict of interest.
  - from time to time, that none of the members of the pension board have a conflict of interest.
  - each member or proposed member of a pension board must provide the scheme manager with such information as the scheme manager reasonably requires for the purposes of meeting the requirements referred to above.
  - the pension board must include employer representatives and member representatives in equal numbers.

Controls in place	Measures against the controls & oversight
Conflicts of Interest Policy in place.	Regularly reviewed in line with approved review cycle and published on the Pension Service website.
Conflicts of Interest Register in place.	Declarations issued annually and the respective Chair is notified of any non-compliance.
Conflicts of interest training in place.	A link to COI training is sent with all declaration requests.
Constitution in place.	A Governance Policy and Compliance Statement is in place that reflects the CCC Constitution and is reviewed by officers annually. The Committee and Board structures are reflective of the Constitution.

### 3.3 Publishing information about Schemes

3.3.1 Requirement: The scheme manager for a public service scheme must publish information about the pension board for the scheme(s) and keep that information up to date. The information must include:

- who the members of the pension board are.
- representation on the board of members of the scheme(s).
- the matters falling within the pension board's responsibility.

Controls in place	Measures against the controls & oversight
Published information on the Committee and Board.	The Pensions Service website contains details of membership and remit of the Committee, ISC and Board. Democratic Services also publish membership details.
CCC Constitution in place.	The responsibility of the CCC Monitoring Officer and is maintained and reviewed by Democratic Services. The Constitution is published and contains the roles and responsibilities of the Committee, ISC and Board.
Governance Policy and Compliance Statement in place.	Regularly reviewed by Officers and material changes are approved by the Monitoring Officer. The Policy is published on the Pensions Service website and contains roles and responsibilities of the Committee, ISC and Board.

### 3.4 Scheme Record Keeping

3.4.1 Requirement: Scheme managers must keep records of information relating to:

- member information.
- transactions.
- pension board meetings and decisions.

Controls in place	Measures against the controls & oversight
Pension Administration System in place.	Holds information on all membership types and contains transactional information for all events such as transfers and retirements. Heywood is contracted to ensure the system is fit for purpose, data is secure and that the Fund continually cleanses data for accuracy. The administration system provides an audit trail of all activity undertaken and stores associated documentation.
Data Improvement Policy in place.	Regularly reviewed in line with approved review cycle and published on the Pensions Service website.
Data Improvement Plan in place.	Updated annually and presented to the Committee and Board.
Data scoring undertaken.	Common and Conditional data scores are a component of the Pension Regulator's annual Scheme Return which is mandatory.
Meetings undertaken in line with statutory obligations.	Meetings are co-ordinated by Democratic Services who ensure statutory obligations are adhered to in line with the Constitution. Minutes are taken at each meeting for a clear audit trail of any decisions made. Public items are published for transparency.

### 3.5 Internal Controls

3.5.1 Requirement: The scheme manager of a public service pension scheme must establish and operate internal controls. These must be adequate for the purpose of ensuring that the scheme is administered and managed in accordance with the scheme rules and in accordance with the requirements of the law. Internal controls refer to:

- arrangements and procedures to be followed in the administration and management of the scheme.
- systems and arrangements for monitoring that administration and management.
- arrangements and procedures to be followed for the safe custody and security of the assets of the scheme.

Controls in place	Measures against the controls & oversight
Task Management Processing.	The task management system contains procedural notes and checklists that are continually reviewed and updated by the Quality Assurance Officer. Training is also provided on procedural changes.
Policies and Strategies in place.	Regularly reviewed in line with approved review cycle and published on the Pensions Service website.

Controls in place	Measures against the controls & oversight
System reporting.	Workflow monitoring reports are produced by the Quality Assurance Officer on a weekly basis. Key Performance Indicator statistics are reported to the Committee and Board at every meeting via the Administration Report and operate under a RAG system basis.
Financial Transactions	Transactions entered within the system require managerial approval, staff who input the transaction cannot approve the transaction. These approvals are contingent upon the value associated with each transaction, with varying approval thresholds requiring different levels of authorisation. On a monthly basis, the approval hierarchy is subject to scrutiny and assessment by the Fund Accounting team.
Custodian in place.	Robust procurement process to appoint an appropriate custodian. Oversight from both the Investment Sub Committee and Pension Fund Committee.

## 3.6 Contributions

- 3.6.1 Requirement: Where employee contributions are deducted from a member's pay, the amount deducted must be paid to the managers of the scheme at the latest by the 19th day of the month following the deduction, or by the 22nd day if paid electronically (the 'prescribed period'), or earlier if required by scheme regulations.

Controls in place	Measures against the controls & oversight
Payment of Employee and Employer Contribution Policy in place.	Regularly reviewed in line with approved review cycle and published on the Pensions Service website.
Automated reconciliation process.	A defined process is in place to monitor the employer contribution payments to the Fund. An electronic return is completed by the employer and an automated check is carried out against the return and compares the amount received. The database flags any missed payments and/or returns for resolution.
Internal escalation Policy in place.	Where issues are not resolved within the Funding Team the issue is referred to the Employer's Team who will deal with the employer directly.
Pension Regulator Report where applicable.	Persistent late/non-payment of contributions may result in a late payment report being submitted to the Pensions Regulator. All employers reported to the Pensions Regulator are notified to the Committee and Board via the Administration Report.

### 3.7 Providing information to members

3.7.1 Requirement: The law requires schemes to disclose information about benefits and scheme administration to scheme members and others, this includes:

- Benefit Statements – both timescales and requirements relating to the content of annual benefit statements
- other information to be provided in other circumstances within defined timescales including: – basic scheme information
  - information about the scheme that has materially altered.
  - information about the constitution of the scheme.
  - information about transfer credits.
  - information about life styling.
  - information about accessing benefits.
  - information about benefits in payment.

Controls in place	Measures against the controls & oversight
Communication Plan in place.	Reviewed annually and presented to the Committee and Board for comment. The Communications Officer is responsible for delivering timely and accurate communications to appropriate audiences in a suitable manner. Scheme changes are covered by the disclosure regulations and must be communicated to affected members within 3 months, these are managed by the Communications Officer with support from the regulations team.
Constitution in place.	The CCC Monitoring Officer/Democratic Services are responsible for maintaining and publishing the constitution. There is a Fund specific Governance Policy & Compliance Statement in place that reflects the Constitution.
Pensions Service website in place.	Basis scheme information is accessible via the Pensions Service website. Officers are responsible for keeping it updated with current and accurate information obtained via national bodies such as the Local Government Association, Scheme Advisory Board and the Fund's governance advisors.
Cyclical processes.	Yearly processes built into work planning to ensure benefit statements are accurate and issued on time. These processes include reconciling year end data, the production of the statements and that effective communications are in place to ensure members are aware when they have been issued.

Controls in place	Measures against the controls & oversight
Key performance Indicators.	A suite of KPI measures is in place to monitor both administrative performance against service level targets and statutory targets that measure the overall customer experience. The KPI measures ensure action can be taken (within the service or with employers) at particular pressure points and ensure members receive timely and accurate information.
Technical guidance.	The LGPC Annual Benefit Statements technical guide is used as a reference tool for ensuring the content of the statements is compliant.

### 3.8 Internal Dispute Resolution

- 3.8.1 Requirement: Scheme managers must make and implement dispute resolution arrangements that comply with the requirements of the law and help resolve pension disputes between the scheme manager and a person with an interest in the scheme. Scheme managers and specified persons must take the decision required on the matters in dispute within a reasonable period of receiving the application. They must notify the applicant of the decision within a reasonable period of having taken it.
- 3.8.2 Internal dispute resolution procedures must state the manner in which an application for the resolution of a pension dispute is to be made, the particulars which must be included in such an application and the manner in which any decisions required in relation to such an application are to be reached and given. The procedure must specify a reasonable period within which applications must be made by certain people.
- 3.8.3 Scheme managers must provide information about the scheme's dispute resolution procedure as well as information about the Money and Pensions Service and the Pensions Ombudsman to certain people at certain stages.

Controls in place	Measures against the controls & oversight
Internal Dispute Resolution Procedure published and accessible.	The full process and statutory timescales are detailed in the administering authority decision guide. An internal control log to monitor stage 1 & 2 cases is managed by the Governance and Regulations Manager. Letters to the member include details on the Pensions Ombudsman and information on the Money and Pensions Service.



Controls in place	Measures against the controls & oversight
Comprehensive documentation.	IDRP documentation including guidance, claim forms and determinations cover all regulatory requirements and timescales. Appropriate adjudicators in place at stage 1 and 2 with clear separation of processes. Information on the Pensions Ombudsman and Money and Pensions Service provided at relevant stages.
Continual monitoring.	A monitoring log is in place to ensure that all stage 1 & 2 disputes are managed appropriately adhering to prescribed timescales.

### 3.9 Potential Pensions Regulator breach of the law consequences

- 3.9.1 The Pensions Regulator ensures that their decisions are proportionate, accountable, consistent, transparent and targeted. A risk based and proportional approach is taken when deciding whether to take enforcement action. The role of the regulator is to support those that they regulate and to change behaviours.
- 3.9.2 Enforcement options are considered once any evidence that has been obtained is analysed. The decision is based on the most proportionate means to achieve the desired outcome, taking into consideration how long enforcement action might take.
- 3.9.3 The potential outcomes fall into 5 categories as detailed below:  
Prevention – an improvement notice may be issued to mitigate a breach being repeated in the future. The notice sets out the steps that must be taken to remedy the breach within a prescribed timeframe.  
Remedy – an improvement notice may be issued as with above or a financial penalty may be imposed. A fixed penalty notice can be issued to encourage compliance, if this is not successful an escalating penalty notice can be issued. For persistent or subsequent non-compliance, a criminal sanction may be appropriate.  
Restoration – if an act has detrimentally affected scheme benefits the aim will be for the members pension benefits to be put back to where they would have been if the breach had not occurred. A notice may be issued to the Fund, and potentially penalty or criminal powers under the Pensions Act 2004 may be used in addition.  
Deterrence – some contravention of pensions legislation cannot be put right or remedied. When these contraventions are persistent, indicate intentional non-compliance or that a criminal offence has been committed, powers may be used to punish and deter. In this scenario financial penalty or prosecution proceedings may be immediately pursued. The prosecution powers are generally reserved for the most serious behaviour, in particular dishonest, wilful or fraudulent. In some instances, these can lead to a criminal conviction. Each prosecution case is tested against the criteria set out in TPR prosecution policy.  
Settlement – in some circumstances it may be appropriate to not pursue or continue action, this will not apply where civil or regulatory proceedings have commenced. The settlement should offer a fair and appropriate outcome having regard to the circumstances of the case and the statutory objectives. Each case will offer its own unique challenges and circumstances, so an acceptable settlement for one case may be very different from that for another, even if the same regulatory power is being used.

3.10 Pension Fund Board Review

3.10.1 The Pension Fund Board reviewed the requirements and controls in place at its meeting of 3 November 2023 with no further recommendations made.

4. Relevant Pension Fund Objectives

- To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
- To manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund’s stakeholders, particularly the Scheme members and employers.
- To ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment.
- To put in place performance standards for the Fund and its employers and ensure these are monitored and developed as necessary.
- To provide scheme members with up-to-date information about the scheme in order that they can make informed decisions about their benefits.
- To maintain accurate records and ensure data is protected and used for authorised purposes only.
- To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.

5. Risk Management

5.1 The mitigated risks associated with this report has been captured in the Fund’s risk register as detailed below –

Risk	Residual risk rating
Those charged with the governance are unable to fulfil their responsibilities effectively.	
Failure to provide relevant information to the Pension Committee/Pension Board to enable informed decision making.	
Risk of fraud and error.	
Failure to understand and monitor risk compliance.	
Lack of understanding of employer responsibilities which could result in statutory and non-statutory deadlines being missed	
Failure to act appropriately upon expert advice and/or risk of poor advice.	
Failure to administer the scheme in line with regulations and guidance.	

## 6. Communication Implications

6.1 None.

## 7. Finance & Resources Implications

7.1 The Fund's governance advisors, Aon, produced an initial report that highlighted potential breach areas.

## 8. Legal Implications

8.1 No material issues have been identified which may give rise to legal liability and/or risk from an administering authority perspective.

8.2 There could be legal implications if a breach of the law was to occur.

## 9. Consultation with Key Advisers

9.1 The Fund's governance advisors, Aon, produced an initial report that highlighted potential breach areas.

9.2 Squire Patton Boggs conducted a review of the paper for legal implications.

## 10. Alternative Options Considered

10.1 Not applicable

## 11. Background Papers

11.1 Internal Audit Report Council and committee meetings - Cambridgeshire County Council > Meetings (cmis.uk.com)

## 12. Appendices

12.1 Appendix 1 – Details of potential breaches that fall within the LGPS Regulations.

12.2 Appendix 2 - Other regulatory requirements the Cambridgeshire Pension Fund must adhere to.

### Checklist of Key Approvals

Has this report been cleared by Section 151 Officer? Sarah Heywood – 29/11/2023

Has this report been cleared by Head of Pensions? Mark Whitby – 20/11/2023

Has this report been cleared by Monitoring Officer? Emma Duncan – 28/11/2023



Appendix 1 - Details of potential breaches that fall within the LGPS Regulations.

Potential breach area	Potential breach	Comments
Membership.	An employer not entering eligible employees into the scheme.	Employer responsibility. The Fund will communicate responsibilities with scheme employers and provide training and support.
Contributions.	Incorrect contribution rates applied by an employer.	Employer responsibility. Limited validation checks will be carried out by the Fund.
	Incorrect application of assumed pensionable pay by an employer.	
	Not deducting contributions correctly from what is defined as pensionable pay.	
Pension accounts and benefits.	Errors in calculating benefits.	Checking processes. Skills and knowledge. Pension software system. Quality Assurance Officer in post to check processes are fit for purpose. Escalation to Governance and Regulations team if any queries/unusual cases.
Strategies, statements and reports.	Missing the 1 December deadline for publishing the annual report.	The annual report is managed as a project to ensure all activities are undertaken to allow the annual report to be published on time. Relevant Committee and Board oversight factored in to meet the deadline.
	Not having all policies/statements in place as required by the regulations.	The Fund has in place an approved policy/strategy review cycle that the Committee and Board have oversight of. The Fund's governance advisor provides advice in this area.
	Not publishing any policy/statement that is required to be published.	All policies and strategies are published on the Pension Service website.
Actuarial valuations	Not having triennial actuarial valuation documents finalised by the first anniversary from valuation date.	The Valuation Report is published following each triennial valuation. The Actuary is in place to ensure the process and delivery is adhered to. Committee and Board engagement on prescribed timescales to meet the deadline. Professional actuarial guidance and advice.

Potential breach area	Potential breach	Comments
	Not having appropriate revised rates and adjustment certificates for existing employers or not publishing/providing copies in accordance with Regulation 66.	The rates and adjustments certificate is incorporated in the Valuation Report and therefore published in accordance with the above. Employers in the Fund are sent their individual rates alongside the Valuation Report.
Payments	Incorrect amounts of contributions paid by employers	Employer responsibility.
	Late payment of contributions	Payment of Employee and Employer Contribution Policy in place. Reconciliation of contributions. Escalation process in place.
	Late or non-provision of a remittance advice with payment	Payment of Employee and Employer Contribution Policy in place. Reconciliation of contributions. Escalation process in place.
Decisions	Delays in decisions being made (noting the “as soon as reasonably practicable” requirement).	Monitoring of all complaints and IDRP stage 1 and 2 cases to ensure compliance with internal policy and statutory obligations. Performance monitoring in place to establish any delays to processes and subsequent delays in decisions being made.
	Not including appropriate information in notifications of decisions.	Comprehensive determination letters including sequence of events, reason for decision and what to do next if the member does not agree the decision.
	Employer not meeting notification procedures for required information on an ongoing basis and at year end in accordance with Regulation 80(2) (Regulation 80 – LGPS Regulations 2013).	Employer responsibility. Escalation and penalties in line with the Fund’s Administration Strategy.
	Not issuing annual benefit statements to all active, deferred and pension credit members and/or missing the 31 August deadline.	As per TPR Code of Practice response in main report (6.7).

Potential breach area	Potential breach	Comments
Transfers	Paying a transfer which is not a “recognised transfer” under the meaning of the Finance Act 2004.	LGPC technical transfer guidance is incorporated into business processes and adhered to. Internal processes in place to protect members.
	Not complying with the provisions of the Club Memorandum when paying a club transfer.	LGPC technical transfer guidance is incorporated into business processes and adhered to. Internal processes in place to identify the types of transfer arrangements and associated guidance notes.
	During a bulk transfer, not providing members with sufficient information in writing before agreement.	Communication work streams between the employer and pension funds are set up at the start of a bulk transfer process. Staged approach with information and guidance provided as well as actions to be undertaken flagged. All communication is documented and discussed at progress meetings.
	Not calculating a transfer to another administering authority in accordance with actuarial guidance issued by the Secretary of State (unless it relates to 10 or more members).	LGPC technical transfer guidance is incorporated into business processes and adhered to. Internal processes in place to identify the types of transfer arrangements and associated guidance notes.
Governance	Not appointing at least 4 members to the local pension board, in equal numbers of employer representatives and member representatives	3 member representatives and 3 employer representatives appointed to the Board as per the Constitution.
	Not being satisfied from time to time that none of the local pension board members has a conflict of interest.	Conflicts of Interest Register in place.

Potential breach area	Potential breach	Comments
Investment	Not holding a separate bank account for all fund money.	The Cambridgeshire Pension Fund has a separate bank account from the administering authority.
	Not taking proper advice when formulating an investment strategy or the strategy not being in accordance with the Secretary of State's guidance.	Appropriate procurements of a Fund Investment consultant and Independent Investment Advisor. The investment consultant must be authorised by the FCA, and individual advisors should have the relevant experience and qualifications.
	Not investing in accordance with the investment strategy, any fund money that is not needed immediately to make payments from the fund.	All investment decisions are delegated and approved by the Investment Sub- Committee.
	Not setting out within the investment strategy, the maximum percentage of the total value of all investments of fund money that it will invest in particular investments or classes of investment.	The Fund's strategic asset allocation is set out in the Fund's investment strategy statement and reviewed periodically by the Investment Sub-Committee and approved by the Pension Committee.
	Not reviewing the investment strategy at least every 3 years or not publishing it.	The investment strategy statement is reviewed and approved by the Pension Committee at least every 3 years.
	The authority borrowing money if, at the time of the borrowing, the authority does not reasonably believe that the sum borrowed, and interest charged in respect of that sum can be repaid out of its pension fund within 90 days of the borrowing.	Not applicable as the Fund does not borrow money for its operations.



Appendix B - Other regulatory requirements the Cambridgeshire Pension Fund must adhere to.

Regulatory area	Potential breach	Comment
Finance Act and HMRC requirements	Missing deadlines for Pension Saving Statements (PSSs)	The issuing of PSSs is part of the cyclical annual allowance process. The Committee and Board are notified of any breaches via the Administration Report.
	Missing other notifiable events requirements	Quarterly reports are submitted to the HMRC that cover annual allowance charges/lifetime allowance charges/short service refund lump sum charges and special lump sum death benefit changes which are all generated through BAU processes and actioned by the Funding Team. Event reporting which includes PSS statements, benefit crystallisation and lifetime allowance, ceased ill health pensions and unauthorised payments is undertaken on an annual basis and are generated through BAU processes and actioned by the Funding Team.
Public Sector accessibility requirements	Not meeting accessibility standards or not publishing an accessibility statement on the Pensions Service website.	Accessibility checks are made on all website content and an accessibility statement is published on the website. <a href="#">Accessibility statement for Cambridgeshire and Northamptonshire LGPS</a>
Pensions Dashboards	Missing the staging date for pensions dashboards.	Following TPR checklist and guidance to be prepared for the 31 October 2026. Further guidance is awaited on the staging timescale since the project reset. National guidance and regional group support.
	Not providing information to the dashboards in line with the prescribed deadlines set.	Following TPR checklist and guidance to be prepared for the 31 October 2026. Further guidance is awaited on the staging timescale since the project reset. National guidance and regional group support.

Regulatory area	Potential breach	Comment
Data protection and information requests	Not responding to requests from members in line with GDPR requirements including data subject access requests and right to withdraw.	<p>The Cambridgeshire Pension Fund follows the Cambridgeshire County Council Data Protection Policy and has a privacy notice published on the Pensions Service website stating how the Fund uses personal data.  <a href="#">Privacy statement - Cambridgeshire County Council</a></p> <p><a href="#">Privacy summary Cambridgeshire Pension Fund (westnorthants.gov.uk)</a></p> <p>Subject access requests and rights are covered by the Cambridgeshire County Council FOI process.  <a href="#">Data Protection And Foi - Cambridgeshire County Council</a></p>
	Not complying with UK General Data Protection Regulations.	<p>The Cambridgeshire Pension Fund follows Cambridgeshire County Council Data Protection Policy and has a privacy notice published on the Pension Service website stating how the Fund uses personal data.  <a href="#">Privacy statement - Cambridgeshire County Council</a></p> <p><a href="#">Privacy summary Cambridgeshire Pension Fund (westnorthants.gov.uk)</a></p>
Data breaches	Not notifying the Information Commissioners Office (ICO) within 72 hours of becoming aware of a network and information systems (NIS) incident where there is substantial impact on the provision of the digital service.	<p>The Cambridgeshire Pension Fund follows the Cambridgeshire County Council Data Protection Policy on reporting data breaches which is compliant with the ICO reporting requirements.  <a href="#">Privacy statement - Cambridgeshire County Council</a></p>

Cambridgeshire  
Pension Fund

Pension Fund Committee

20 December 2023

Report by: Head of Pensions

Subject: Employer Admissions and Cessations Report

Purpose of the Report: 1. To report the admission of one admitted body and the entry of two designating bodies to the Cambridgeshire Pension Fund.

2. To notify the Committee of three bodies ceasing participation in the Cambridgeshire Pension Fund.

3. To update on previously reported cessations

Recommendations: That the Pension Fund Committee

1. Notes the admission of the following transferee admission body to the Cambridgeshire Pension Fund and approves the sealing of the admission agreement:

- Aspens Services Limited (Over Primary School)

2. Notes the entry of the following designating bodies to the Cambridgeshire Pension Fund:

- Orton Longueville Parish Council
- Ramsey Town Council

3. Notes the cessation of the following bodies from the Cambridgeshire Pension Fund:

- Cross Keys Homes
- Kimbolton School
- ABM Catering Limited (St Johns CE Primary School)

4. Notes the update on previously reported cessations relating to:

- NPS Peterborough Limited
- Taylor Shaw Limited (Elliott Foundation Trust)
- Cater Link Limited (Diamond Learning Partnership Trust)
- Aspens Services Limited (Staploe Education Trust)

Enquiries to: Name – Cory Blose, Employer services manager

## 1. Executive Summary

- 1.1 The Pension Fund Committee is asked to note the entry to the Fund of one transferee admitted body and two designating bodies, approving the sealing of the admission agreement for the admitted body.
- 1.2 The Committee is also asked to note the exit of three employers from the Fund. The first was admitted under a pass-through agreement so no funding assessment is needed. A funding surplus has been identified for the second employer and a determination will need to be made over the value of the exit credit (which may be nil) payable to the exiting employer. A final funding assessment has been requested for the third exiting employer.
- 1.3 The Committee is also asked to note the update on four cessation cases previously reported where the funding assessment was outstanding at the time of reporting. In two of the four cases an exit credit payment has been made.

## 2. Background

- 2.1 The Local Government Pension Scheme Regulations 2013 (as amended) (the Regulations) provide for the participation of a number of different types of body in the Local Government Pension Scheme; scheduled bodies, designating bodies, and admission bodies.
- 2.2 When an employer ceases participation in the Fund, the administering authority is required, under regulation 64 of the Local Government Pension Scheme Regulations 2013 (the Regulations), to obtain an actuarial valuation, as at the exit date, of the liabilities and to obtain a revised rates and adjustments certificate showing the exit payment due from the exiting employer or the excess of assets in the Fund relating to that employer.
- 2.3 This report provides an update on admissions to and cessations from the Cambridgeshire Pension Fund since the last meeting of the Pension Fund Committee and provides an update on the collection of exit payments and determination of exit credits for previously reported cessations.

## 3. New Admission Bodies

- 3.1 Paragraph 1 of Part 3 of Schedule 2 to the Regulations provides for an administering authority making an admission agreement with an admission body, enabling employees of the admission body to be active members of the Local Government Pension Scheme.

3.2 A body which falls under paragraph 1(d)(i) of Part 3 of Schedule 2 (known as transferee admission bodies) is an admission body that is providing a service, in connection with the function of a scheme employer, as the result of a transfer of service or assets by means of a contract or other arrangement.

3.3 The Pension Fund Committee is asked to note the admission of the following bodies into the Cambridgeshire Pension Fund under paragraph 1(d)(i) and to approve the sealing of the admission agreements:

- Aspens Services Limited (Over Primary School)

3.4 Full details of the admission are included in Appendix A.

## 4 New Designating Bodies

4.1 The Regulations allow that a body listed in Schedule 2 can designate an employee, or a class of employees as being eligible to be members of the Local Government Pension Scheme.

4.2 If such a body passes a resolution to designate employees as eligible for membership of the Local Government Pension Scheme, the Pensions Committee cannot refuse their participation in the Fund.

4.3 Paragraph 2(a) of Part 2 of Schedule 2 of the Regulations provides for a precepting authority to be a designating body.

4.4 The Committee is asked to note that the following employers are designating bodies by means of being a precepting authority within the meaning of paragraph 2(a) of Part 2 of Schedule 2 to the Regulations.

- Orton Longueville Parish Council
- Ramsey Town Council

4.5 Full details of each admission are included in Appendix A.

## 5 Cessations

5.1 The following admitted bodies have exited the Fund:

- Cross Keys Homes
- Kimbolton School
- ABM Catering Limited (St Johns CE Primary School)

5.2 Full details of each cessation are included in Appendix B.

## 6 Update on previously reported cessations

- 6.1 When an employer ceases to participate in the Fund, the Regulations require the administering authority to obtain a valuation of the assets and liabilities attributed to that employer to determine if there is a funding surplus or deficit. If a deficit exists, the employer must pay an exit payment to the Fund equal to the value of the deficit. If a surplus exists, the administering authority must make a determination of the amount of exit credit (which could be zero) should be paid to the exiting employer.
- 6.2 The Pension Fund Committee is asked to note the update on the following previously reported cessations.
- NPS Peterborough Limited
  - Taylor Shaw Limited (Elliott Foundation Trust)
  - Cater Link Limited (Diamond Learning Partnership Trust)
  - Aspens Services Limited (Staploe Education Trust)
- 6.3 Full details of each update are included in Appendix C.

## 6. Relevant Pension Fund Objectives

Manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers. *Objective 2*

Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. *Objective 5*

Ensure appropriate exit strategies are put in place in both the lead up to and termination of a scheme employer. *Objective 7*

## 7. Risk Management

- 7.1 The Pension Fund Committee are responsible for approving some admission bodies into the Fund as well as monitoring all admissions and cessations.
- 7.2 The risks associated with failing to monitor admissions and cessations have been captured in the Fund's risk register as detailed below.

Risk	Residual risk rating
Lack of understanding of employer responsibilities which could result in statutory and non-statutory deadlines being missed.	Green
Failure to administer the scheme in line with the regulations.	Green
Failure to provide relevant information to the Pension Fund Committee/Pension Board to enable informed decision making.	Green
Failure to assess and monitor the financial strength of an employer covenant to ensure employer liabilities are met in conjunction with the Fund Actuary/specialist advisors.	Green

7.3 The Fund's full risk register can be found on the Fund's website:

[Pension Fund Risk Register](#)

## 8. Finance & Resources Implications

- 8.1 Actuarial costs incurred by obtaining a calculation of the employer's contribution rate and opening funding position at commencement are recharged directly to the employer.
- 8.2 The employer contribution rate contains an allowance for administration charges, and the employer is charged a fee to recover the Funds administration costs of onboarding new employers and terminating ceased employers. This means that admissions and cessations should be cost neutral.
- 8.3 Employers who are unable to pay monies due during active membership may result in unpaid liabilities being borne by other employers in the Fund.

## 9. Communication Implications

Direct Communications – Direct communications will be required to facilitate employer start up in the LGPS.

Training – Training will need to be provided to new employers on a number of LGPS issues.

Website – New employers are given access to the employer's guidance available on the pension's website.

## 10. Legal Implications

- 10.1 No material issues have been identified which may give rise to legal liability and/or risk from an administering authority perspective.

- 10.2 Admitted bodies enter into an admission agreement with the administering authority to become an employer within the Cambridgeshire Pension Fund. This agreement sets out the statutory responsibilities of an employer, as provided for under the Regulations governing the LGPS. The precedent admission agreement used by the Fund has been drafted by the Fund's legal advisors, Squire Patton Boggs.

## 11. Consultation with Key Advisers

- 11.1 Contribution rate and bond assessments are undertaken by Hymans Robertson, the Fund Actuary.
- 11.2 A precedent admission agreement has been drafted by Squire Patton Boggs, specialist pension legal advisers, as stated under Legal Implications.
- 11.3 Advice was received from the Fund's legal advisers, Squire Patton Boggs, on individual admission and cessation cases, where required.
- 11.4 Squire Patton Boggs conducted a review of the paper for legal implications.

## 12. Alternative Options Considered

- 12.1 None available.

## 13. Appendices

- 13.1 Appendix A: New admissions
- 13.2 Appendix B: New cessations
- 13.3 Appendix C: Update on previously reported cessations

### Checklist of Key Approvals

Has this report been cleared by Section 151 Officer? 29/11/2023

Has this report been cleared by Head of Pensions? 17/11/2023

Has this report been cleared by Monitoring Officer? 28/11/2023



## **Appendix A: New employers**

### **To be noted:**

- **Aspens Services Limited (Over Primary School)**

Aspens Services Limited have entered a contract with Over Primary School (a Cambridgeshire Local Education Authority School) to provide catering services. As a result, a group of employees were transferred to the admission body and a backdated, pass-through admission agreement has been put in place effective 1 July 2023. The assets and liabilities have been retained by Cambridgeshire County Council.

- **Orton Longueville Parish Council**

On 27 July 2023, Orton Longueville Parish Council passed a resolution designating their clerk as eligible for the LGPS backdated to the start of their employment, 1 May 2023.

- **Ramsey Town Council**

On 12 October 2023, Ramsey Town Council passed a resolution designating their clerk as eligible for the LGPS backdated to the start of their employment, 1 June 2023.

## **Appendix B: New cessations**

- **Cross Keys Homes**

Cross Keys Homes were admitted to the Fund as a Community Admission Body on 4 October 2004, following a transfer of staff from Peterborough City Council.

On 30 April 2023, Cross Keys Homes closed the scheme to new accrual following a consultation with staff. The cessation assessment identified a funding surplus of £1,657,000. Officers have started the process to determine the value of the exit credit (which may be nil) that should be paid to the exiting employer.

- **Kimbolton School**

Kimbolton School became an employer in the Cambridgeshire Pension Fund as a community admission body following local government reorganisation in 1974 having previously participated in the Huntingdonshire Superannuation Fund.

On 31 August 2023, Kimbolton School closed the scheme to new accrual following a consultation with staff. The actuary has been sent final membership data in order to proceed with an exit assessment and the outcome will be reported at a future Committee meeting.

- **ABM Catering Limited (St John's CE Primary School)**

ABM Catering Limited were admitted to the Fund under a pass-through agreement on 1 September 2018 after entering a contract to provide catering services to St John's CE Primary School.

On 19 July 2023, the last active member left. No exit payment or credit is required as the pension liabilities were retained by Cambridgeshire County Council.

## **Appendix C: Update on previously reported cessations**

- **NPS Peterborough Limited**

The cessation of NPS Peterborough Limited was originally reported at the June 2023 meeting of the Pension Fund Committee.

Following an exit credit determination, as required by, and considering the factors listed under section 64 (2ZC) of the Regulations, the Administering Authority has determined that the amount of exit credit payable to NPS Peterborough Limited is nil. The exiting employer has been informed of the decision and its right to appeal the decision.

- **Taylor Shaw Limited (Elliott Foundation Trust)**

The cessation of Taylor Shaw Limited (Elliott Foundation Trust) was originally reported at the June 2023 meeting of the Pension Fund Committee.

Following an exit credit determination, as required by, and considering the factors listed under section 64 (2ZC) of the Regulations, the Administering Authority has determined that the amount of exit credit payable to Taylor Shaw Limited was £107,000. Payment was made to the employer on 7 November 2023.

- **Cater Link Limited (Diamond Learning Partnership Trust)**

The cessation of Cater Link Limited (Diamond Learning Partnership Trust) was originally reported at the June 2023 meeting of the Pension Fund Committee.

Following an exit credit determination, as required by, and considering the factors listed under section 64 (2ZC) of the Regulations, the Administering Authority has determined that the amount of exit credit payable to Cater Link Limited was £35,000. Payment was made to the employer on 7 November 2023.

- **Aspens Services Limited (Staploe Education Trust)**

The cessation of Aspens Services Limited (Staploe Education Trust) was originally reported at the October 2019 meeting of the Pension Fund Committee.

Following an exit credit determination, as required by, and considering the factors listed under section 64 (2ZC) of the Regulations, the Administering Authority has determined that the amount of exit credit payable to Aspens Services Limited is nil. The exiting employer has been informed of the decision and its right to appeal the decision.



# Cambridgeshire Pension Fund

## Pension Fund Committee

20 December 2023

Report by: Head of Pensions

Subject: Ernst & Young Audit Plan for Cambridgeshire Pension Fund for Year Ended 31 March 2023

Purpose of the Report: To present the Audit Plan from Ernst & Young

Recommendations: The Pension Fund Committee:

- a) Note the Audit Plan for year ended 31 March 2023 and the presentation by Ernst and Young

Enquiries to: Ben Barlow, Investments & Fund Accounting Manager  
Tel – 07831 123167  
E-mail – [Ben.Barlow@Westnorthants.gov.uk](mailto:Ben.Barlow@Westnorthants.gov.uk)

## 1. Executive summary

- 1.1 Ernst & Young (EY) act as the Cambridgeshire Pension Fund's external auditors. They have produced a plan of the audit of the Cambridgeshire Pension Fund for the year ended 31 March 2023, which is presented to the Pension Fund Committee to note.
- 1.2 The Audit Plan sets out the proposed audit approach and scope for the 2022-23 audit of the Fund and is reviewed by the Audit and Accounts Committee.

## 2. Report background

- 2.1 Ernst & Young (EY) act as the Cambridgeshire Pension Fund's external auditors. They have produced their plan for the 2022-23 audit of the Cambridgeshire Pension Fund.
- 2.2 The Audit Plan was reviewed by the Audit and Accounts Committee at its meeting of 12 September 2023.
- 2.3 The Pension Fund's Statement of Accounts (SOA) form part of the Council's Statement of Accounts. These are audited by the Council's external auditor EY. The auditor confirms whether, in their opinion, the SOA reflect a true and fair view of the financial position of the authority (and the Fund within it) for the financial year 1 April 2022 to 31 March 2023 and that the SOA is free from material misstatement.

## 3. Content, Responsibilities and timeline

- 3.1 EY have been appointed as Independent External Auditors to provide an audit opinion on:

3.1.1 whether the financial statements of Cambridgeshire Pension Fund give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2023 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2023; and

3.1.2 the consistency of the Pension Fund financial statements within the Pension Fund annual report with the published financial statements of Cambridgeshire County Council.

3.2 EY have produced an audit plan, setting out identified audit risks, expected materiality levels, the scope of their audit, the team, and the planned delivery of the audit process.

3.3 Page 13 of the accompanying report identifies the key risks and areas of auditor focus, detailing EY's planned approach to these risk areas. These, along with the Fund's approach are summarised in the following table.

<b>Risk/area of focus</b>	<b>Audit approach</b>	<b>Fund approach</b>
Misstatements due to fraud or error	<ul style="list-style-type: none"> <li>• Identify fraud risks at planning stage.</li> <li>• Inquire of management how risks are mitigated by controls.</li> <li>• Understand the level of oversight within processes.</li> <li>• Consider effectiveness of controls</li> <li>• Use appropriate audit strategy to address risks identified.</li> <li>• Perform mandatory procedures, including detailed testing.</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure process notes include identified risks.</li> <li>• Provide written process notes which detail controls.</li> </ul>
Unusual Investments – Cambridge and Counties Bank (CCB)	<ul style="list-style-type: none"> <li>• Review Grant Thornton's external valuation of Cambridge and Counties Bank and consider appropriateness of assumptions used.</li> <li>• Ensure values used are in line with relevant accounting policies.</li> <li>• Test accounting entries in the Statement of Accounts are consistent with valuation.</li> </ul>	<ul style="list-style-type: none"> <li>• Instruct Grant Thornton to provide a valuation report for Cambridge and Counties Bank and make this, and supporting information, available to the auditor.</li> <li>• Provide working papers demonstrating the value used at the year end and the valuation methodology.</li> </ul>
Valuation of Level 3 investments (unquoted investments)	<ul style="list-style-type: none"> <li>• Assess the competence of management experts.</li> <li>• Review basis of valuation and assess the appropriateness of the valuation methods.</li> <li>• Review latest audited accounts for level 3 investments.</li> <li>• Perform analytical procedures and checking the valuation output for reasonableness.</li> <li>• Obtain internal control reports from fund managers.</li> <li>• Review investment valuation disclosures to verify significant</li> </ul>	<ul style="list-style-type: none"> <li>• Provide working papers demonstrating the value used at the year end and the valuation methodology.</li> <li>• Provide quarterly reconciliation reports.</li> <li>• Liaise with Investment Managers to provide information to auditors on a timely basis.</li> </ul>

<b>Risk/area of focus</b>	<b>Audit approach</b>	<b>Fund approach</b>
	judgements have been appropriately made.	
Valuation of Level 2 investments (Pooled Investments)	<ul style="list-style-type: none"> <li>Assess the competence of management experts.</li> <li>Review basis of valuation and assess the appropriateness of the valuation methods.</li> <li>Review observable data points used in the calculation of the investment valuation.</li> <li>Obtain internal control reports from fund managers.</li> <li>Review investment valuation disclosures to verify significant judgements have been appropriately made.</li> </ul>	<ul style="list-style-type: none"> <li>Provide working papers demonstrating the value used at the year end and the valuation methodology.</li> <li>Provide quarterly reconciliation reports.</li> <li>Liaise with Investment Managers to provide information to auditors on a timely basis.</li> </ul>
IAS26 Disclosure – Actuarial Present Value of Promised Retirement Benefits	<ul style="list-style-type: none"> <li>Assess competence of management experts (Hymans)</li> <li>Review IAS26 approach applied by the actuary are reasonable and compliant with IAS26.</li> <li>Ensure IAS26 disclosure is in line with relevant standards and consistent.</li> <li>Reconciliation of data provided to actuary for the triennial valuation</li> <li>Testing of 25 members per report</li> </ul>	<ul style="list-style-type: none"> <li>Ensure process notes include identified risks.</li> <li>Provide written process notes which detail controls.</li> </ul>

- 3.4 Page 18 of the accompanying report sets out the planned materiality levels for the audit, based on 1% of net assets of £4.2bn, which are planned to be:

<b>Audit Area</b>	<b>Materiality</b>
Planning Materiality	£42m
Performance Materiality	£31.5m
Audit Differences	£2.1m

- 3.5 Page 27 of the accompanying report sets out the proposed timeline for delivery of the audit. The key planned milestones are:

<b>Milestone</b>	<b>Planned dates</b>	<b>Status</b>
Planning	July – August 2023	Completed
Report audit plan	September 2023	Completed
Year end Audit	August -September 2023	Completed
Audit Results Report	November 2023	Completed

## 4. Relevant Pension Fund Objectives

- 4.1 To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
- 4.2 To manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers.
- 4.3 To ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment.
- 4.4 To continually monitor and measure clearly articulated objectives through business planning.
- 4.5 To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.
- 4.6 To provide scheme members with up-to-date information about the scheme in order that they can make informed decisions about their benefits.
- 4.7 To seek and review regular feedback from all stakeholders and use the feedback appropriately to shape the administration of the Fund.

## 5. Finance & Resources Implications

- 5.1 None, this paper is for information only.

## 6. Risk Management

- 6.1 The mitigated risks associated with this report has been captured in the Fund's risk register as detailed below -

Risk No.	Risk	Residual risk rating
4	Contributions to the Fund are not received on the correct date and/or for the correct amount	Amber
5	Fund assets are not sufficient to meet obligations and liabilities.	Amber
7	Information may not be provided to stakeholders as required	Green
9	Those charged with governance are unable to fulfil their responsibilities effectively	Green
15	Custody arrangements may not be sufficient to safeguard Pension Fund assets.	Green
17	Failure to administer the scheme in line with regulations and guidance.	Green



<b>Risk No.</b>	<b>Risk</b>	<b>Residual risk rating</b>
19	Pension Fund investments may not be accurately valued.	Green
25	Investment decisions and portfolio management may not achieve the return required or be performed in accordance with instructions provided.	Green

The Fund's full risk register can be found on the Fund's website at the following link:

<https://pensions.northamptonshire.gov.uk/governance/key-documents/cambridgeshire/>

## **7. Communication Implications**

7.1 This information only paper does not require any further communication activities.

## **8. Legal Implications**

8.1 No material issues have been identified which may give rise to legal liability and/or risk from an administering authority perspective.

## **9. Consultation with Key Advisers**

9.1 The Pension Fund Accounts are produced utilising information and advice provided by Investment Managers, the Fund's Custodian Northern Trust and the Fund's Actuary, Hymans Robertson.

9.2 Squire Patton Boggs conducted a review of the paper for legal implications.

## **10. Alternative Options Considered**

10.1 Not applicable.

## **11. Background Papers**

11.1 Not applicable.

## **12. Appendices**

12.1 Appendix A – Audit Plan 2022-23

### **Checklist of Key Approvals**

Has this report been cleared by Chief Finance Officer/Section 151 Officer? 29/11/2023

Has this report been cleared by Head of Pensions? 17/11/2023

Has this report been cleared by Monitoring Officer? 28/11/2023



The background image shows a close-up of several people's hands and arms as they sit around a white table, looking at and pointing to various documents. One person is wearing a yellow shirt and a watch. Another person is wearing a gold bracelet. A smartphone is also visible on the table.

# **Cambridgeshire Pension Fund**

## **Audit Plan**

Year Ended 31 March 2023

12 September 2023



**Audit and Accounts Committee / Pension Fund Committee  
Cambridgeshire County Council  
New Shire Hall  
Emery Crescent Enterprise Campus  
Alconbury Weald, Huntingdon  
PE28 4YE**

12 September 2023

Dear Audit and Accounts Committee / Pension Fund Committee Members,

We are pleased to attach our Initial Audit Plan which sets out how we intend to carry out our responsibilities as your auditor. Its purpose is to provide the Audit and Accounts Committee with a basis to review our proposed audit approach and scope for the 2022/23 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

Whilst we have not yet been able to issue our 2021/22 audit opinion, due to additional considerations on the Cambridgeshire County Council audit, this does not impact on our ability to issue this Audit Plan in respect of 2022/23 for the Pension Fund. This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Pension Fund, and outlines our planned audit strategy in response to those risks.

This report is intended solely for the information and use of the Audit and Accounts Committee, Pension Fund Committee and Management, and is not intended to, nor should be, used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 28 September 2023 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

*MARK HODGSON*

Mark Hodgson

Partner

For and on behalf of Ernst & Young LLP

# Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA (<https://www.psaa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/>) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit and Accounts Committee, Pension Fund Committee and management of Cambridgeshire Pension Fund in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Accounts Committee, Pension Fund Committee and Management of Cambridgeshire Pension Fund those matters we are required to state to them in this 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 Audit and Accounts Committee, Pension Fund Committee and management of Cambridgeshire Pension Fund for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.





01

# Overview of our 2022/23 audit strategy





## Overview of our 2022/23 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit and Accounts Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

### Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error - management override and incorrect posting of investment journals	Fraud risk	No change in risk or focus	<p>There is a risk that the financial statements as a whole are not free from material misstatement whether caused by fraud or error. We perform mandatory procedures regardless of specifically identified fraud risks.</p> <p>We have considered the key areas where management has the specific opportunity and incentive to override controls.</p> <p>We have identified the main area as being around the Investment Income and Asset valuations from the Custodian Report being incorrectly posted to the general ledger specifically through journal postings, to secure a more favourable reported financial position.</p>
Valuation of unusual investments (Cambridge & Counties Bank)	Significant risk	No change in risk or focus	<p>From a review of the draft 2022/23 financial statements, the Pension Fund has a £69.7 million investment in Cambridge and Counties Bank (CCB). The CCB is a hard to value Level 3 type investment, as there is a lack of observable inputs and prices are not publicly available for it, and it thus requires a specialist valuation model.</p> <p>The Fund transparently discloses in the notes to the accounts surrounding "Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty" that there is a risk that this could be under or overstated in the accounts, and provides a range within which the bank was valued (£66.8 million - £72.6 million).</p> <p>We consider this a non-routine investment for a Pension Fund, which therefore requires specialist valuation. Whilst we have not identified any issues in previous years and the Pension Fund continue to use an expert in this area, this does remain as a material estimate, based on a complex valuation model, which are subject to a range of sensitive inputs. On this basis, we have consider this to be a significant risk estimate, as even a small movement in the valuation assumptions could have a material impact on the financial statements..</p>

## Overview of our 2022/23 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit and Accounts Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

### Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Valuation of (other) complex Level 3 Investments (unquoted investments)	Significant risk	No change in risk or focus	<p>The Fund's investments include unquoted pooled investment vehicles such as Private Equity, Infrastructure and Property Investments. The valuation of such investments are classified under IFRS 13 as Level 3 investments. As such the valuation of Level 3 Investments are based on 'unobservable' inputs.</p> <p>Judgements are made by the Fund Managers to value these investments whose prices are not publicly available. The material nature of this type of investment, means that any error in judgement could result in a material valuation error.</p> <p>Increasing market volatility means such judgments can quickly become outdated, especially when there is a significant time period between the latest available audited information and the fund year end. Such variations could therefore have a material impact on the carrying value of the investments within the financial statements.</p> <p>In the 2022/23 draft financial statements, approximately 27% of the value of the overall Fund, totalling £1.134 billion, is within this investment type. As these investments are more complex to value, we have identified the Fund's investments in private equity and pooled property investments as a significant risk estimate, as even a small movement in the valuation assumptions could have a material impact on the financial statements.</p>
Valuation of Level 2 Investments (Pooled Investments)	Inherent Risk	No change in risk or focus	<p>The Fund's investments also include other Pooled Investment vehicles, totalling £2.854 billion in the 2022/23 draft financial statements. The valuation of such investments are classified under IFRS 13 as Level 2 Investments. As such the valuation of Level 2 Investments are based on 'inputs from observable data'. Given this is still an estimate, we have raised an Inherent risk in regard to the valuation of assets of this nature.</p>



## Overview of our 2022/23 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit and Accounts Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

### Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
IAS 26 Disclosure - Actuarial Present Value of Promised Retirement Benefits	Area of Focus	No change in risk or focus	<p>An actuarial estimate of the Pension Fund Liability to pay future pensions is calculated by an independent firm of Actuaries with specialist knowledge and experience. The estimate is based on the 2022/23 triennial valuation, which will result in further audit procedures being required. This estimate will include local factors such as mortality rates and expected pay rises along with other assumptions around inflation and investment yields when calculating the liability.</p> <p>There is therefore a risk that the valuation uses inappropriate assumptions to value the liability as at 31 March 2023. There is also a risk that the membership data and cash flows provided to the actuary as at 31 March may not be correct.</p>

## Overview of our 2022/23 audit strategy

### Materiality

Planning  
materiality

£42.0m

Materiality has been set at £42.0 million, which represents 1% of the net assets of the scheme available to fund benefits per the 2022/23 draft financial statements. This is the same basis and percentage we applied in the prior year. The Pension Fund is defined as a Major Local Authority (MLA) based on its size and as such, we have determined that planning materiality of 1% is an appropriate level.

Performance  
materiality

£31.5m

Performance materiality has been set at £31.5 million, which represents 75% of materiality. This is the upper end of our range based on the low level of errors identified in previous years and is consistent with the level we applied in the prior year.

Audit  
differences

£2.1m

We will report all uncorrected misstatements relating to the primary statements (Net Assets Statement and Pension Fund Account) greater than £2.1 million. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit and Accounts Committee.

# Overview of our 2022/23 audit strategy

## Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of Cambridgeshire Pension Fund (the Pension Fund) give a true and fair view of the financial transactions during the year ended 31 March 2023 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2023; and
- Our opinion on the consistency of the Pension Fund financial statements within the Pension Fund annual report with the published financial statements of Cambridgeshire County Council.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Pension Fund.

Taking the above into account, and as articulated in this Audit Plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increase focus on, for example, the valuation of pension obligations, the introduction of new accounting standards such as IFRS 9 and 15 in recent years as well as the expansion of factors impacting the ISA 540 (revised). Therefore, to the extent any of these or any other risks are relevant in the context of Cambridgeshire Pension Fund's audit, we will discuss these with management as to the impact on the scale fee.

### Effects of climate-related matters on financial statements

Public interest in climate change is increasing. We are mindful that climate-related risks may have a long timeframe and therefore while risks exist, the impact on the current period financial statements may not be immediately material to an entity. It is nevertheless important to understand the relevant risks to make this evaluation. In addition, understanding climate-related risks may be relevant in the context of qualitative disclosures in the notes to the financial statements. We make inquiries regarding climate-related risks on every audit as part of understanding the entity and its environment. As we re-evaluate our risk assessments throughout the audit, we continually consider the information that we have obtained to help us assess the level of inherent risk.

## Overview of our 2022/23 audit strategy

### Audit scope

#### Effects of ISA (UK) 315

The Financial Reporting Council (FRC) has published revisions to International Standard on Auditing (UK) 315, *Identifying and Assessing the Risks of Material Misstatement*. The standard is effective for audits of financial statements for periods beginning on or after 15 December 2021 (Effective 2022/23 financial statements for the Pension Fund).

The revisions have a significant impact on our scope and approach, requiring auditors to:

- ▶ Enhance the audit risk assessment process
- ▶ Better focus responses to identified risks
- ▶ Evaluate the impact of technology on key processes supporting the production of the financial statements, particularly where a fully or partially substantive audit approach has been taken previously.

For the audit of the Pension Fund, we have historically taken a fully substantive approach. We adopted this approach because it was more efficient to perform a greater extent of substantive testing rather than relying on controls. The revisions to ISA 315, recognise the criticality of technology to the processing of transactions, and now require us, as auditor, to identify and evaluate the design and implementation of IT general controls, including for processes where we have not sought to place IT-reliance in past audits.

#### Effects of ISA (UK) 240

In May 2021, the FRC issued the revised ISA (UK) 240, *The Auditor's Responsibilities Relating to Fraud in the Financial Statements* to clarify the responsibilities of auditors. The standard is effective for audits of financial statements for periods beginning on or after 15 December 2021 (Effective 2022/23 financial statements for the Pension Fund).

The revisions have a significant impact on our approach, requiring auditors to:

- ▶ Increase focus on professional skepticism
- ▶ Remain alert and investigate further if there are conditions that indicate evidence provided to the auditors may not be authentic or has been tampered with
- ▶ When considering if actual or suspected fraud is material, consider both qualitative and quantitative characteristics of the fraud
- ▶ Consider if specialist skills are required to perform risk assessment, audit procedures or evaluate evidence obtained
- ▶ Increase discussion amongst the audit team including the exchanging of ideas as to how management or others within the entity could perpetrate or conceal fraud.

Management and those charged with governance should expect to see a more interactive approach to risk assessment including additional enquiries of those within an entity who deal with allegations of fraud raised by employees or other parties', discussions over the entities perceived risk of material fraud and any specific risks to the industry or sector the audit client is within.

## Overview of our 2022/23 audit strategy

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### Timeline

The Department for Levelling Up, Housing and Communities (DLUCH) established regulations to extend the target date for publishing audited local authority accounts from 31 July to 30 September, for a period of two years (i.e. covering the audit of the 2020/21 and 2021/22 accounting years). The publication deadline remains as the 30 September for 2022/23.

In Section 07 we include a provisional timeline for the audit. Due to well publicised audit delays within the Local Government sector, the publication date will not be met. We will work with the Pension Fund and Cambridgeshire County Council, as the administering body, to ensure that appropriate publication wording is published by the date set out above.



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## Audit risks





## Audit risks

### Our response to significant risks

We have set out the significant risks (including fraud risks denoted by\*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

**Misstatements due to fraud or error – management override and incorrect posting of investment journals \***

#### What is the risk?

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We have considered the specific areas where management has the opportunity and incentive to override controls that could affect the Fund Account and the Net Asset Statement.

The valuation of investment assets and income are key metrics for measuring the performance of the pension fund. These values are taken from the Custodian Reports and posted to the general ledger through journals.

We consider that management has an incentive to increase these values reported in the financial statements and is in a unique position to influence the posting of investment income and year end investment asset valuation journals. There is therefore a risk that this may result in misstatement either due to fraud or error.

We have therefore identified investment asset and income journals as a fraud risk.

#### What will we do?

We will undertake our standard procedures to address fraud risk, which include:

- ▶ Identifying fraud risks during the planning stages;
- ▶ Inquiry of management about risks of fraud and the controls put in place to address those risks;
- ▶ Understanding the oversight given by those charged with governance of management's processes over fraud;
- ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud;
- ▶ Determining an appropriate strategy to address those identified risks of fraud; and
- ▶ Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.

To respond to the specific fraud risk we have identified relating to the incorrect posting of journals we will perform the following additional audit procedures:

- ▶ Undertake a review of reconciliation to the Fund Managers and Custodian Reports and investigate any reconciling differences;
- ▶ Reperform the detailed investment note using the reports we have acquired directly from the Custodian or Fund Managers;
- ▶ Check the reconciliation of holdings included in the Net Assets Statement back to the source reports; and
- ▶ For quoted investment income we will agree the reconciliation between Fund Managers and Custodians and ensure the amounts are consistent with Fund Managers and Custodian Reports.

We will utilise our data analytics capabilities to assist with our work, including journal entry testing. We will assess journal entries for evidence of management bias and evaluate the business rationale for each journal selected for testing.

## Our response to significant risks (continued)

### Unusual Investments - Cambridge and Counties Bank (CCB)

#### What is the risk?

The Pension Fund's investment in Cambridge and Counties Bank (CCB) is a hard to value, Level 3 investment. This is because of a lack of observable inputs and prices which are not publicly available.

The CCB investment is based on valuations provided by a management specialist - Grant Thornton (GT). GT used a markets multiple approach in the prior year looking at price earnings ratio and price to book ratios, considering current and forecast earnings and ratios.

As this investment is not publicly listed, there is a degree of judgement in their valuation. From our review of the draft 2022/23 financial statements, the Fund had a £69.7 million investment in CCB.

The Pension Fund transparently discloses in the notes to the accounts surrounding "Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty" that there is a significant risk that this could be under or overstated in the accounts, as even a small movement in the valuation assumptions could have a material impact on the financial statements.

#### What will we do?

In order to address this risk we will carry out a range of procedures including:

- ▶ Engaging with EY Transactions Valuation Team who will undertake a review of the valuation model provided by GT considering the appropriateness of the assumptions and inputs used in determining the valuation;
- ▶ Ensuring that the CCB investment have been valued in accordance with the relevant accounting policies; and
- ▶ Testing the accounting entries made in the statement of accounts to ensure they are consistent with the valuation provided by management's expert - GT.



## Our response to significant risks (continued)

### Valuation of Level 3 complex investments (unquoted investments)

#### What is the risk?

The Fund's investments include unquoted Pooled Investment vehicles such as Private Equity, Infrastructure and Property Investments.

Judgements are made by the investment managers to value these investments whose prices are not publicly available. The material nature of this type of investment, means that any error in judgement could result in a material valuation error.

Increasing market volatility means such judgments can quickly become outdated, especially when there is a significant time period between the latest available audited information and the fund year end. Such variations could therefore have a material impact on the carrying value of the investments within the financial statements.

In the 2022/23 draft financial statements, approximately 27% of the overall Fund, totalling £1,134 million, was within this investment type. As these investments are more complex to value, we have identified the Fund's investments in private equity and pooled property investments as a higher risk estimate, as even a small movement in the valuation assumptions could have a material impact on the financial statements.

#### What will we do?

In order to address this risk we will carry out a range of procedures including:

- ▶ Assessing the competence of management experts;
- ▶ Reviewing the basis of valuation for property investments and other unquoted investments and assessing the appropriateness of the valuation methods used;
- ▶ Where available, reviewing the latest audited accounts for the relevant fund managers and ensuring there are no matters arising that highlight material differences in the reported funds valuation within the financial statements;
- ▶ Performing analytical procedures and checking the valuation output for reasonableness against our own expectations;
- ▶ Obtaining and reviewing internal control reports for fund managers for any internal control issues and assessing whether this would have an impact on the valuations provided by the fund managers; and
- ▶ Reviewing investment valuation disclosures to verify that significant judgements surrounding the valuation of Level 3 investments have been appropriately made in the Pension Fund's financial statements.

## Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What will we do?
<p><b><u>Valuation of Level 2 investments – Pooled Investments (Inherent risk)</u></b></p> <p>The Fund's investments also include other Pooled Investment vehicles totalling £2.854 billion in the 2022/23 draft financial statements. The valuation of such investments are classified under IFRS 13 as Level 2 investments. As such the valuation of Level 2 investments are based on 'inputs from observable data'. Given this is therefore an estimate, we have raised an inherent risk in regard to the valuation of assets of this nature.</p>	<p>In order to address this risk we will carry out a range of procedures including:</p> <ul style="list-style-type: none"> <li>▶ Assessing the competence of management experts;</li> <li>▶ Reviewing the basis of valuation for Pooled Investments and assessing the appropriateness of the valuation methods used;</li> <li>▶ Reviewing the observable data points used in the calculation of the investment valuation;</li> <li>▶ Obtaining and reviewing internal control reports for fund managers for any internal control issues and assessing whether this would have an impact on the valuations provided by the fund managers; and</li> <li>▶ Reviewing investment valuation disclosures to verify that significant judgements surrounding the valuation of Level 2 investments have been appropriately made in the Pension Fund's financial statements.</li> </ul>
<p><b><u>IAS 26 Disclosure – Actuarial Present Value of Promised Retirement Benefits (Area of audit focus)</u></b></p> <p>The Fund's IAS 26 calculation shows that the present value of promised retirement benefits amount to £3.953 billion as at 31 March 2023.</p> <p>This figure is material and subject to complex estimation techniques and judgements by the Actuary, Hymans Robertson. The estimate is based the 2022/23 triennial valuation, and takes into account local factors such as mortality rates and expected pay rises along with other assumptions around inflation and investment yields when calculating the liability.</p> <p>There is a risk that the valuation uses inappropriate assumptions to value the liability as at the 31 March 2023.</p>	<p>In order to address this risk we will carry out a range of procedures including:</p> <ul style="list-style-type: none"> <li>▶ Assessing the competence of managements expert, Hymans Robertson;</li> <li>▶ Engaging with the NAO's consulting actuary and our EY Pensions Advisory Team to review the IAS 26 approach applied by the actuary are reasonable and compliant with IAS 26;</li> <li>▶ Ensuring that the IAS 26 disclosure is in line with the relevant standards and consistent with the valuation provided by the Actuary;</li> <li>▶ Reconciliation of the data provided to actuary for the triennial valuation (as at 31 March 2022); and</li> <li>▶ Testing of 25 members per report included in the triennial valuation data submission to ensure the details agree to underlying records.</li> </ul>



03

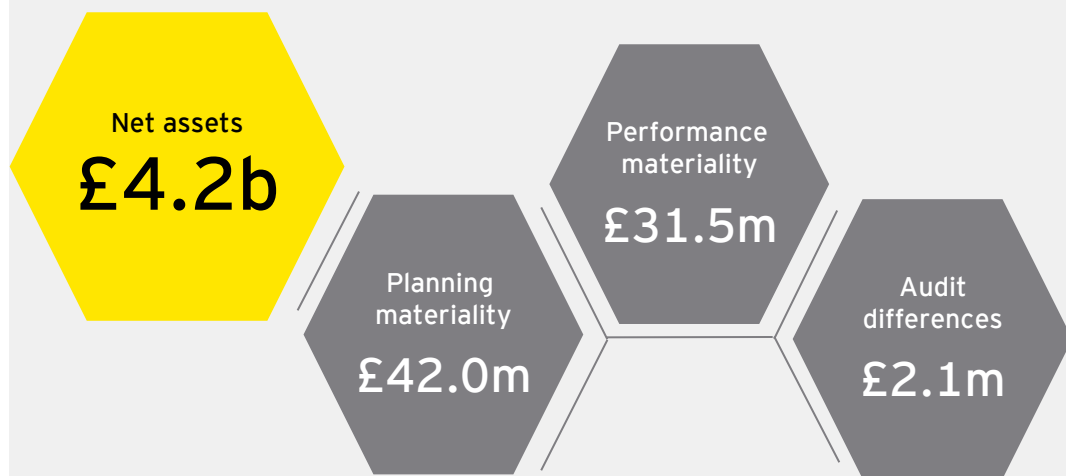
## Audit materiality



## Materiality

### Materiality

For planning purposes, materiality for 2022/23 has been set at £42.0 million. This represents 1% of the Pension Fund's net assets within the 2022/23 draft financial statements. It will be reassessed throughout the audit process. In an audit of a Pension Fund we consider the net assets to be the appropriate basis for setting the materiality as they represent the best measure of the schemes' ability to meet obligations rising from the pension liabilities. We have provided supplemental information about audit materiality in Appendix C.



We request that the Audit and Accounts Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

### Key definitions

**Planning materiality** - The amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

**Performance materiality** - The amount we use to determine the extent of our audit procedures. We have set performance materiality at £31.5 million which represents 75% of planning materiality - consistent with the prior year level. We have considered factors such as the number of errors in the prior year, the adequacy of the control environment, and any significant changes in 2022/23 when determining the percentage of performance materiality.

**Audit difference threshold** - We propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the Fund Account and Net Asset Statement.

Other uncorrected misstatements, such as reclassifications, misstatements in disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Audit and Accounts Committee, or are important from a qualitative perspective.

### Materiality (continued)

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all the circumstances that might ultimately influence our judgement. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

We also identify areas where misstatement at a lower level than our overall materiality level might influence the reader and develop an audit strategy specific to these areas, including:

- ▶ Related Party Transactions - (Audit Judgement based on materiality of the transactions to both parties) - We will test the completeness of related party disclosures and the accuracy of all disclosures by checking back to supporting evidence; and
- ▶ External Audit Fees (£5,000) - We will test the disclosure back to supporting evidence.





04

## Scope of our audit



# Our Audit Process and Strategy

### Objective and Scope of our Audit scoping

Under the Code of Audit Practice, our principal objectives are to review and report on the Pension Fund's financial statements.

We issue an audit report that covers the financial statement audit.

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK), as well as on the consistency of the Pension Fund financial statements within the Pension Fund annual report with the published financial statements of Cambridgeshire County Council.

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

#### Procedures required by standards

- ▶ Addressing the risk of fraud and error;
- ▶ Procedures relating to the accuracy of significant disclosures included in the financial statements;
- ▶ Entity-wide controls;
- ▶ Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- ▶ Auditor independence.

#### Other procedures required by the Code

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements.

We are also required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

## Our Audit Process and Strategy (continued)

### Audit Process Overview

#### Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls;
- ▶ Substantive tests of detail of transactions and amounts; and
- ▶ Reviewing and assessing the work of experts in relation to areas such as valuation of the Pension Fund to establish if reliance can be placed on their work.

For 2022/23, we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

#### Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ Give a greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit and Accounts Committee.

#### Internal Audit:

As in the prior year, we will review Internal Audit's plan and the results of their work where relevant to this engagement. We consider these when designing our overall audit approach and when developing in our detailed testing strategy. We may also reflect relevant findings from their work in our reporting, where it raises issues that we assess could have a material impact on the year-end financial statements.



## Our Audit Process and Strategy (continued)

### ISA (UK) 315 (Revised) : Identifying and Assessing the Risks of Material Misstatement

ISA 315 is effective from financial year 2022/23 onwards and is the critical standard which drives the auditor's approach to the following areas:

- Risk Assessment;
- Understanding the entity's internal control;
- Significant risk;
- Approach to addressing significant risk (in combination with ISA 330).

The International Auditing & Assurance Standards Board (IAASB) concluded that whilst the existing version of the standard was fundamentally sound, feedback determined that it was not always clear, leading to a possibility that risk identification was not consistent.

The aims of the revised standard is to:

- Drive consistent and effective identification and assessment of risks of material misstatement;
- Focus auditors on exercising professional skepticism throughout the risk identification process;
- Improve the standard's applicability to entities across a wide spectrum of circumstances and complexities; and
- Modernise ISA 315 to meet evolving business needs, including:
  - How auditors use automated tools and techniques, including data analytics to perform risk assessment audit procedures.
  - How auditors understand the entity's use of information technology relevant to financial reporting.

The key impacts are:

- Significant increase in work on entity's use of IT in business and system of internal control;
- Clearer workflow within the standard to highlight the importance of the auditor's understanding of the entity and environment, the applicable financial reporting framework, and system of internal control;
- New concepts, such as inherent risk factors and spectrum of inherent risk; and
- Changed definitions, notably the definition of 'significant risk', which is an identified risk of material misstatement.

See Appendix D for our assessment of the impact of ISA 315 on the current year audit.



05

## Audit team



## Audit team

The engagement team is led by Mark Hodgson (Audit Partner), who has significant experience on Pension Fund audits.

Mark is supported by Dan Cooke (Senior Audit Manager) and Jacob McHugh (Audit Manager), who are responsible for the day-to-day direction of audit work and are the key points of contact for the finance team. The audit team will be led by Jake Day (Audit Senior).

## Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third-party specialists provide input for the current year audit are:

Area	Specialists
Pension Fund valuation and disclosures	Hymans Robertson (Cambridgeshire Pension Fund Actuary) PwC (Consulting Actuary to the NAO on behalf of audit providers under the PSAA Ltd contract) EY Pensions Advisory Team
Cambridgeshire & Counties Bank Investment valuation	Grant Thornton (Cambridgeshire Pension Fund valuer for Cambridge & Counties Bank valuation) EY Transactions Valuation Team (for support on Cambridge & Counties Bank valuation)
Investment valuation	The Pension Fund's Custodian and Fund Managers

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Pension Fund's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analysing source data and making inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- ▶ Assessing the reasonableness of the assumptions and methods used;
- ▶ Considering the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assessing whether the substance of the specialist's findings are properly reflected in the financial statements.





## 06 Audit timeline





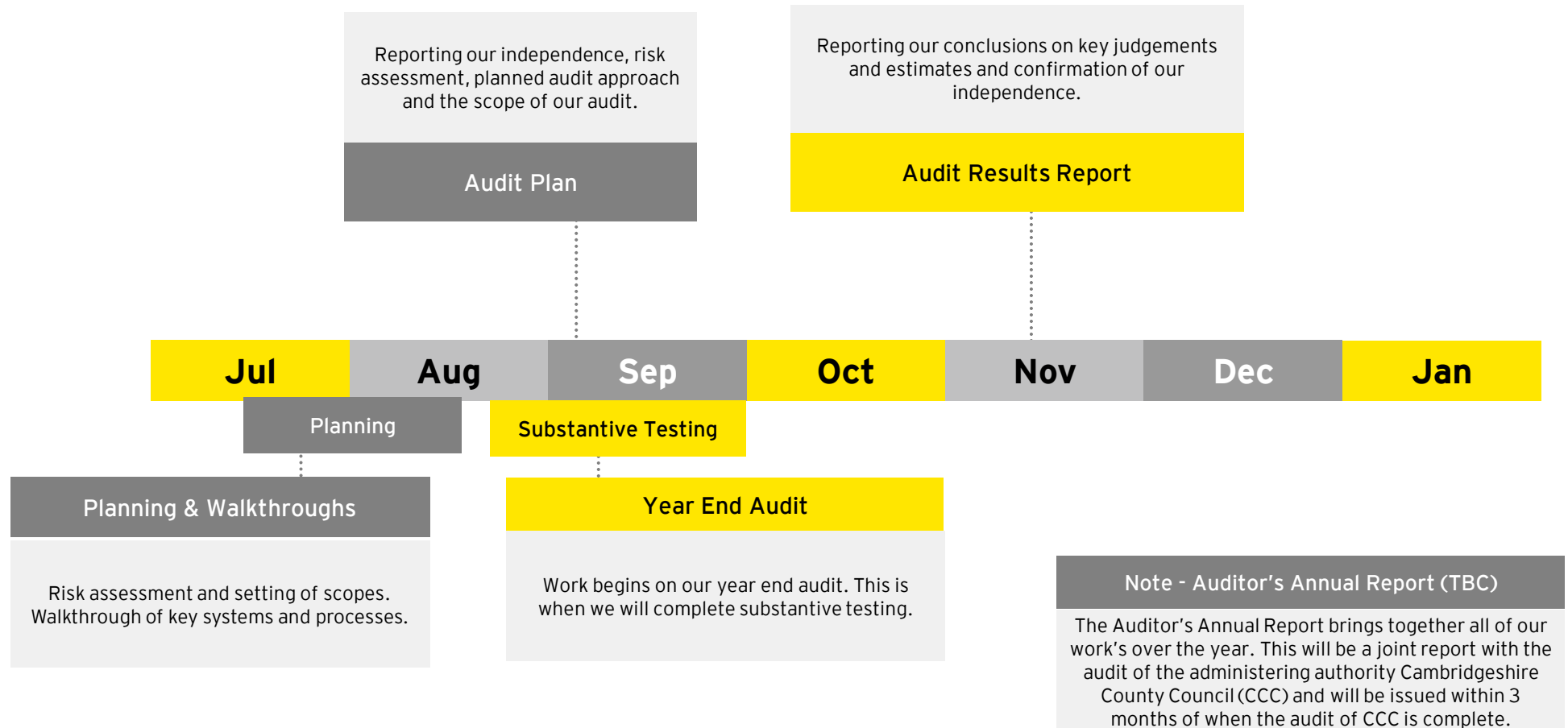
## Audit timeline

# Timetable of communication and deliverables

### Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2022/23.

From time to time matters may arise that require immediate communication with the Audit and Accounts Committee and we will discuss them with the Audit and Accounts Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.







07

# Independence



# Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

## Required communications

Planning stage	Final stage
<ul style="list-style-type: none"> <li>▶ The principal threats, if any, to objectivity and independence identified by Ernst &amp; Young (EY) including consideration of all relationships between you, your affiliates and directors and us.</li> <li>▶ The safeguards adopted and the reasons why they are considered to be effective, including any engagement quality review.</li> <li>▶ The overall assessment of threats and safeguards.</li> <li>▶ Information about the general policies and process within EY to maintain objectivity and independence.</li> </ul>	<ul style="list-style-type: none"> <li>▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed. These include: <ul style="list-style-type: none"> <li>▶ Details of non-audit/additional services provided and the fees charged in relation thereto;</li> <li>▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;</li> <li>▶ Details of any non-audit / additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner;</li> <li>▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;</li> <li>▶ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and</li> <li>▶ An opportunity to discuss auditor independence issues.</li> </ul> </li> </ul>

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

## Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However, we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

### Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Mark Hodgson (your audit Engagement Partner) and the audit engagement team have not been compromised.

### Self interest threats

A self interest threat arises when EY has financial or other interests in the Pension Fund. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake those permitted non-audit / additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES), and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. In addition, when the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you. The non-audit fees subject to the fee cap cannot exceed 70% of the average audit fees for the past three years. At the time of writing, there are no non-audit services provided by us to the Pension Fund.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard Part 4.

There are no other self interest threats at the date of this report.

### Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

### Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Pension Fund. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.



## Relationships, services and related threats and safeguards (continued)

### Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.  
We are not aware of any other threats at the date of this report.

## Other Communications

### EY UK Transparency Report 2022

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 30 June 2022, and can be found at [https://www.ey.com/en\\_uk/about-us/transparency-report](https://www.ey.com/en_uk/about-us/transparency-report).



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## Appendices



## Appendix A

### Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

A breakdown of our fees is shown in the table below.

	Planned Fee 2022/23	Scale Fee 2022/23	Final Fee 2021/22
	£'s	£'s	£'s
Total Fee - Code work	25,881	25,881	17,256
Changes in work required to address professional and regulatory requirements and scope associated with risk (Note 1)	TBC	-	TBC
Additional work required for specific additional procedures (including revised estimates standard) (Note 2)	TBC	-	TBC
Additional fee in respect of work on behalf of admitted body auditors (recharges to the Pension Fund) (Note 3)	15,500	-	8,800
<b>Total fees</b>	<b>TBC</b>	<b>25,881</b>	<b>TBC</b>

In addition, we are driving greater innovation in the audit through the use of technology. The significant investment costs in this global technology continue to rise as we seek to provide enhanced assurance and insight in the audit.

The agreed fee presented is based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our accounts opinion being unqualified;
- Appropriate quality of documentation is provided by the Pension Fund; and
- The Pension Fund having an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

***All fees exclude VAT***

**Note 1:** We do not believe that the current scale fee reflects the changes in the audit market and increases in regulation since the most recent PSAA tender exercise. For 2022/23 the scale fee has been re-assessed by the PSAA to take into account some of the recurring risk factors. This does not fully reflect the true cost of the audit which we will continue to submit through the PSAA, including work in respect of ISA 315. Given 2021/22 audit has yet to conclude, we have not yet submitted this variation to PSAA Ltd for determination. We will follow the same process for 2022/23.



**Note 2:** For 2022/23 there are a number of risk factors to the audit as outlined within this Audit Plan - such as the valuation of Cambridge & Counties Bank. As our 2021/22 audit has not yet formally concluded, we have not calculated the additional fee that will be proposed to Management. The final fee will be subject to determination by PSAA Ltd. The same approach will apply in respect of the 2022/23 audit.

**Note 3:** We plan to charge an additional fee to take into account the work required to respond to IAS19 assurance requests from admitted bodies and their auditors. This will include additional costs in relation to work to be performed over the triennial valuation in respect of our 2022/23 audit, estimated at £4,500 in the figure above, but could rise to £6,000 depending on the results of our procedures. The Pension Fund can recharge this fee to the relevant admitted bodies. The Pension Fund generally recharges this fee across the relevant admitted bodies.

## Appendix B





# Required communications with the Audit and Accounts Committee

We have detailed the communications that we must provide to the Audit and Accounts Committee.

Our Reporting to you		
Required communications	 What is reported?	 When and where?
Terms of engagement	Confirmation by the Audit and Accounts Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Audit Plan - 11 September 2023 - Audit and Accounts Committee
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures.</li> <li>▶ Significant difficulties, if any, encountered during the audit.</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management.</li> <li>▶ Written representations that we are seeking.</li> <li>▶ Expected modifications to the audit report.</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process.</li> </ul>	Audit Results Report - November 2023 - Audit and Accounts Committee
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty;</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and</li> <li>▶ The adequacy of related disclosures in the financial statements.</li> </ul>	Audit Results Report - November 2023 - Audit and Accounts Committee

## Appendix B

# Required communications with the Audit and Accounts Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	  When and where?
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation.</li> <li>▶ The effect of uncorrected misstatements related to prior periods.</li> <li>▶ A request that any uncorrected misstatement be corrected.</li> <li>▶ Material misstatements corrected by management.</li> </ul>	Audit Results Report - November 2023 - Audit and Accounts Committee
Subsequent events	<ul style="list-style-type: none"> <li>▶ Enquiries of the Audit and Accounts Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.</li> </ul>	Audit Results Report - November 2023 - Audit and Accounts Committee
Fraud	<ul style="list-style-type: none"> <li>▶ Enquiries of the Audit and Accounts Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity.</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist.</li> <li>▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving:               <ol style="list-style-type: none"> <li>Management;</li> <li>Employees who have significant roles in internal control; or</li> <li>Others where the fraud results in a material misstatement in the financial statements.</li> </ol> </li> <li>▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected.</li> <li>▶ Any other matters related to fraud, relevant to Audit and Accounts Committee responsibility.</li> </ul>	Audit Results Report - November 2023 - Audit and Accounts Committee
Related parties	<ul style="list-style-type: none"> <li>▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</li> <li>▶ Non-disclosure by management;</li> <li>▶ Inappropriate authorisation and approval of transactions;</li> <li>▶ Disagreement over disclosures;</li> <li>▶ Non-compliance with laws and regulations; and</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity.</li> </ul>	Audit Results Report - November 2023 - Audit and Accounts Committee



## Appendix B

# Required communications with the Audit and Accounts Committee (continued)

		Our Reporting to you
Required communications	What is reported?	When and where?
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats;</li> <li>▶ Safeguards adopted and their effectiveness;</li> <li>▶ An overall assessment of threats and safeguards; and</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence.</li> </ul> <p>Communication whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit Plan - 11 September 2023 - Audit and Accounts Committee</p> <p>Audit Results Report - November 2023 - Audit and Accounts Committee</p>
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations.</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	Audit Results Report - November 2023 - Audit and Accounts Committee
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur.</li> <li>▶ Enquiry of the Audit and Accounts Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Accounts Committee may be aware of.</li> </ul>	Audit Results Report - November 2023 - Audit and Accounts Committee
Internal controls	Significant deficiencies in internal controls identified during the audit.	Audit Results Report - November 2023 - Audit and Accounts Committee
Representations	Written representations we are requesting from management and/or those charged with governance.	Audit Results Report - November 2023 - Audit and Accounts Committee

## Appendix B

# Required communications with the Audit and Accounts Committee (continued)

Our Reporting to you		
Required communications	What is reported?	When and where?
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise.	Audit Results Report - November 2023 - Audit and Accounts Committee
Auditors report	Any circumstances identified that affect the form and content of our auditor's report.	Audit Results Report - November 2023 - Audit and Accounts Committee
Fee Reporting	<ul style="list-style-type: none"> <li>▶ Breakdown of fee information when the audit plan is agreed.</li> <li>▶ Breakdown of fee information at the completion of the audit.</li> <li>▶ Any non-audit work.</li> </ul>	Audit Plan - 11 September 2023 - Audit and Accounts Committee  Audit Results Report - November 2023 - Audit and Accounts Committee  Auditor's Annual Report - January 2023 - Audit and Accounts Committee

## Additional audit information

### Objective of our audit

Our objective is to form an opinion on the Pension Fund's financial statements under International Standards on Auditing (UK) as prepared by you in accordance with with International Financial Reporting Standards as adopted by the EU, and as interpreted and adapted by the Code of Practice on Local Authority Accounting.

Our responsibilities in relation to the financial statement audit are set out in the formal terms of engagement between the PSAA's appointed auditors and audited bodies. We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Audit and Accounts Committee. The audit does not relieve management or the Audit and Accounts Committee of their responsibilities.

### Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in Section 02, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

### Our responsibilities required by auditing standards

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pension Fund's internal control.
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting.
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Pension Fund to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, the Audit and Accounts Committee reporting appropriately addresses matters communicated by us to the Audit and Accounts Committee and reporting whether it is materially inconsistent with our understanding and the financial statements.
- ▶ Maintaining auditor independence.



## Additional audit information (continued)

### Other required procedures during the course of the audit (continued)

Procedures required by the Audit Code	▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Report.
Other procedures	▶ We are required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

We have included in Appendix B a list of matters that we are required to communicate to you under professional standards.

### Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines the level of work performed on individual account balances and financial statement disclosures. The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

# Impact of ISA 315 on Audit

## ISA (UK) 315 (Revised July 2020) *Identifying and Assessing the Risks of Material Misstatement*

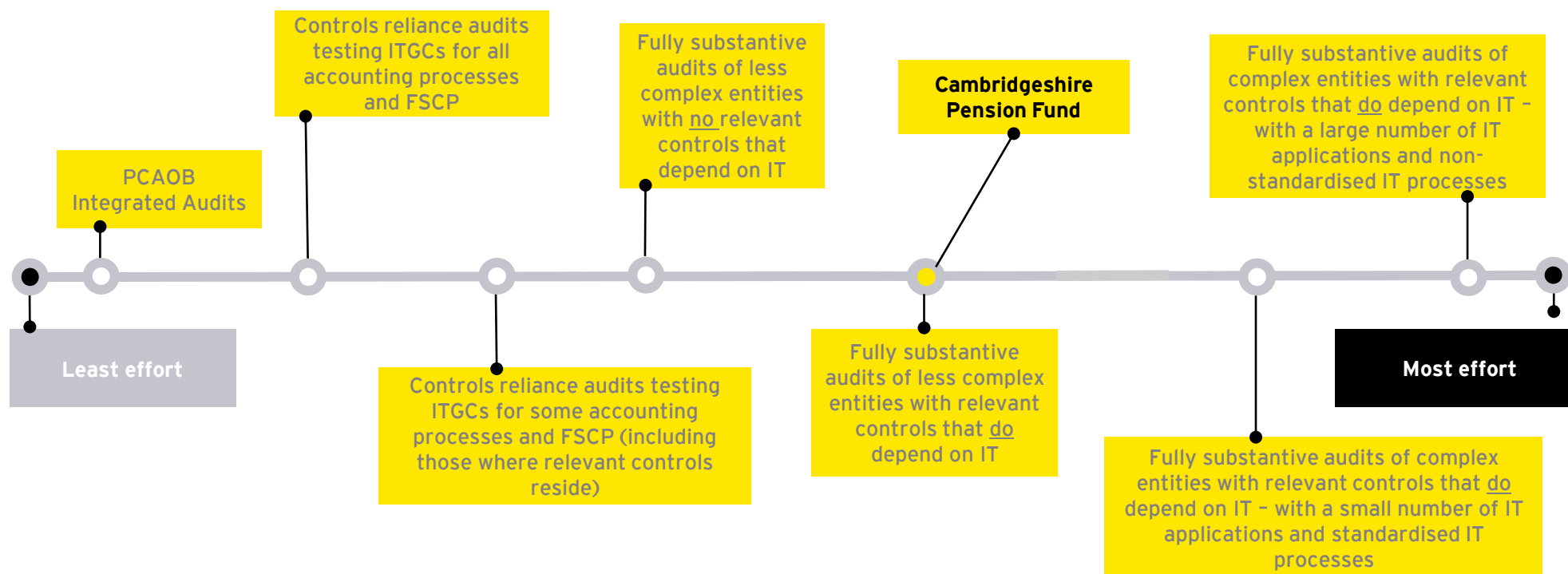
Summary of key measures	Impact on Cambridgeshire Pension Fund
<ul style="list-style-type: none"> <li>▶ The revised auditing standard is effective for audits of financial statements for periods beginning on or after 15 December 2021, and adopts ISA 315 (Revised 2019) as issued by the IAASB;</li> <li>▶ The revised risk assessment standard sees enhancements and clarifications to: (i) Encourage a more robust risk assessment, thereby promoting more focused responses to the identified risks; (ii) Clarify current requirements to promote consistency in the application of procedures for risk identification; and (iii) Modernise the standard to keep up with the evolving environment in which entities operate, in particular in relation to the entity's use of information technology;</li> <li>▶ The fundamentals of risk assessment have not changed, however, the changes will see additional audit procedures and considerations being made in the following areas to respond to the requirements of the revised standard: <ul style="list-style-type: none"> <li>▶ How we identify and assess risks based on our understanding of the entity and other risk assessment procedures;</li> <li>▶ How we understand the components of the system of internal control, including new evaluations which apply to each component;</li> <li>▶ The type of controls and process for understanding controls that are relevant to our audit relating to the preparation and posting of journal entries;</li> <li>▶ Understanding the effect of the entity's use of IT, including relevant IT general controls, and the identification of IT-related risks; and</li> <li>▶ Evaluating, as an audit team, whether sufficient evidence has been obtained to support the identification and assessment of risks of material misstatement.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▶ The revised standard is for auditors and does not put any additional responsibilities or requirements on management or the Audit and Accounts Committee, however, management may experience different conversations, requests or simply have more focused discussions with members of the audit team, including about risk, internal controls, audit quality and our audit strategy.</li> <li>▶ For Cambridgeshire Pension Fund the revised standard is effective for this audit of the financial statements for the year ended 31 March 2023.</li> <li>▶ We will be required to perform new and additional procedures to understand Cambridgeshire Pension Fund's use of IT, the IT processes related to those IT applications relevant to the audit used in the different accounting processes and, where relevant, the IT general controls (ITGCs) that address IT risks in the IT processes and evaluation of their design effectiveness and whether they have been implemented. The revised standard does not require an evaluation of the operating effectiveness of ITGCs; it continues to be a strategy decision for the auditor as to whether they intend to rely on IT processes.</li> <li>▶ The new requirements relating to understanding IT may also facilitate a change in the audit strategy in subsequent audits as it relates to the reliance placed on IT processes as part of the audit.</li> <li>▶ More control observations may be identified and communicated, and the additional evaluations of the components of the system of internal control may help identify deficiencies that are considered to be significant deficiencies.</li> <li>▶ The new requirement relating to understanding the effect of the use of IT by an audited entity has the greatest potential for additional audit effort, involvement of team members with specialised knowledge of auditing IT, and an upward impact on audit fees. We will continue to consider the potential of this.</li> <li>▶ We have discussed on the next slides the specific impact of this new requirement on the audit of Cambridgeshire Pension Fund.</li> <li>▶ The other impacts of the revised standard on our audit strategy are reflected in the relevant sections of this report.</li> </ul>



## Appendix D

### Impact of ISA 315 on Audit (continued)

The graphic below indicates where we have anticipated that the audit of Cambridgeshire Pension Fund falls on the spectrum of effort as it applies to the new requirements of the revised standard relating to understanding the effect of the entity's use of IT. The level of effort is displayed relative to the circumstances applicable to the Fund, and why that level of effort may differ to that required on the audits of entities with different circumstances.

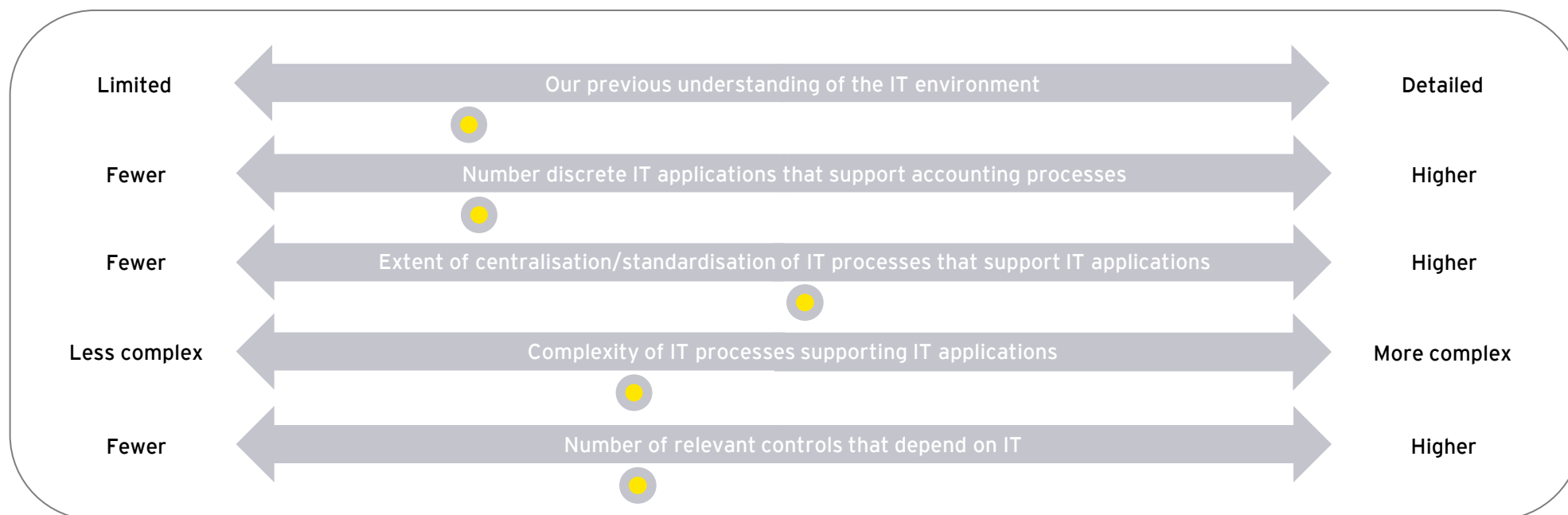


## Appendix D

### Impact of ISA 315 on Audit (continued)

We indicate below where Cambridgeshire Pension Fund is placed in relation to a number of the factors that influence the extent of incremental audit effort relating to understanding the effect of the entity's use of IT, to provide more context to the assessment shown in the previous diagram.

Further details of our assessment and the form that the incremental effort is expected to take are provided on the following page.





## Appendix D

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# Impact of ISA 315 on Audit (continued)

We anticipate this level of effort taking into account the following factors:

- ▶ Current approach to IT, particularly whether testing ITGCs related to some or all relevant IT applications and brought forward understanding of IT.
- ▶ Number of IT applications/components of the IT environment and whether previously in-scope.
- ▶ Previous and planned audit strategy for the SCOTs (and differences between strategies for different SCOTs) with relevant IT applications / components of the IT environment.
- ▶ Current involvement, and extent thereof, of those with specialised knowledge of auditing IT (FAIT).
- ▶ Complexity of IT applications/environment/IT processes.
- ▶ Extent of relevant controls that depend on IT.
- ▶ Number and uniformity of IT processes, centralisation, entity documentation and organisation of the entity's IT function.

The additional effort is expected to take the form of:

- ▶ Identify IT applications that support the relevant SCOT or FSCP.
- ▶ Identify the supporting IT environment components and IT processes that support the relevant IT applications identified.
- ▶ Understand the relevant IT process.
- ▶ Understanding additional IT applications and processes.
- ▶ Considering the need for involvement of those with specialised knowledge of auditing IT.

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ED None

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# Cambridgeshire Pension Fund

Pension Fund Committee

20 December 2023

Report by: Head of Pensions

Subject: Pension Fund Annual Report and Statement of Accounts 2022-23

Purpose of the Report: To present the Final Annual Report and Statement of Accounts and the Audit Results Report of the Pension Fund for the 2022-23 financial year.

Recommendations: That the Pension Fund Committee:

- a) Approve the Final Annual Report
- b) Note the Statement of Accounts of the Pension Fund for the 2022-23 financial year.
- c) Note the findings of external audit documented in the Audit Results Report.

Enquiries to: Ben Barlow, Investments & Fund Accounting Manager  
Tel – 07831 123167  
E-mail – [Ben.Barlow@Westnorthants.gov.uk](mailto:Ben.Barlow@Westnorthants.gov.uk)

## 1. Executive summary

- 1.1 This report covers the findings of the external audit for the Cambridgeshire Pension Fund 2022-23. In Ernst & Young's opinion, the financial statements give a true and fair view of the financial transactions of the Fund. The statements have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022-23.
- 1.2 This report also covers the key changes to the final Annual Report. There are two main corrected differences are:
  - 1.2.1 Level 3 Investments - £12.847m identified during audit, due to estimates used for private equity and infrastructure.
  - 1.2.2 Cambridge and Counties Bank – Difference of £15.7m, the draft accounts did not include the 2022-23 valuation of the Bank due to the report not being received before publication.
- 1.3 There have also been a small number of disclosure adjustments required, these have been amended in the accounts.

## 2. Report background

- 2.1 The Pension Fund's Statement of Accounts (SOA) form part of the Council's Statement of Accounts. These are audited by the Council's external auditor Ernst & Young (EY). The auditor confirms whether, in their opinion, the SOA reflect a true and fair view of the financial position of the authority (and the Fund within it) for the

financial year 1 April 2022 to 31 March 2023 and that the SOA is free from material mis-statement.

- 2.2 The accounts are based on transactions accounted for within the Fund's financial ledger, information received from Investment Managers and the Fund's Custodian Northern Trust, and assumptions and estimations utilising the professional judgement of officers and Fund professional advisers in order to give a true and fair statement of the Fund's financial position.
- 2.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) has issued the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23 (the Code), which governs the preparation of the financial statements for Local Government Pension Scheme funds. A CIPFA template is used each year to ensure that the reporting meets the requirements of the Code and is compliant with International Financial Reporting Standards (IFRS).
- 2.4 The publication of the Accounts is an essential feature of public accountability and stewardship as it provides information on how the Fund has used the members' funds for which it is responsible.
- 2.5 The structure and content of the Annual Report is governed by guidance issued by the CIPFA in compliance with Regulation 57 of The Local Government Pension Scheme Regulations 2013 (as amended).

### **3. Key changes from draft accounts**

- 3.1 The draft Annual Report and Statement of Accounts was brought to Committee at the July meeting. The below sets out the changes from the draft report and final report:
  - 3.1.1 £12.847m adjustment made to Private Equity and Infrastructure following 31 March 2023 valuations,
  - 3.1.2 £15.7m adjustment made to Cambridge and Counties Bank following 31 March 2023 valuation,
  - 3.1.3 Page 31– ACCESS information as at 31<sup>st</sup> March 2023,
  - 3.1.4 Page 32 – Inclusion of Cost Transparency details,
  - 3.1.5 Page 37 – Updated Task Force on Climate-Related Financial Disclosures (TCFD) reporting,
  - 3.1.6 Page 82 – Adjusted 31 March 2022 actuarial present value of promised retirement benefits.

### **4. Findings and feedback from External Audit fieldwork**

- 4.1 The Pension Fund Statement of Accounts has been subject to external audit fieldwork and EY have offered a separate audit opinion on the Pension Fund's Annual Report and Statement of Accounts within the Audit Results Report (Page 16).

“In our opinion the pension fund financial statements:

- Give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2023 and the amount and disposition of the fund's assets and liabilities as at 31 March 2023; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of



- 4.2 The Pension Fund's opinion cannot be finalised until the Council's audit has concluded.
- 4.3 There are two corrected differences identified during the audit:
  - 4.3.1 The investment asset balances included a number of estimated asset valuations for Level 3 assets, these are based on December 2022 actual valuations adjusted for cash flows to the 31 March 2023. The actual valuations received for these assets showed the investment asset balance was understated by £12.847m. This value is below materiality thresholds, however management have adjusted the investment assets.
  - 4.3.2 The valuation of Cambridge & Counties Bank (CCB) difference relates to an amendment made from the version of the draft financial statements originally published within the Cambridgeshire County Council accounts, which erroneously did not include the updated CCB valuation. The revised draft financial statements include the updated 2022/23 valuation for CCB of £69.7million, which is £15.7 million lower than in the original version (£85.4 million).
- 4.4 The Final version of the Annual Report and Statement of Accounts will be published on the Fund's website and circulated to members.

## **5. Relevant Pension Fund Objectives**

- 5.1 To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
- 5.2 To manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers.
- 5.3 To ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment.
- 5.4 To continually monitor and measure clearly articulated objectives through business planning.
- 5.5 To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.
- 5.6 To provide scheme members with up-to-date information about the scheme in order that they can make informed decisions about their benefits.
- 5.7 To seek and review regular feedback from all stakeholders and use the feedback appropriately to shape the administration of the Fund.

## **6. Finance & Resources Implications**

- 6.1 None, this paper is for information only.

## **7. Risk Management**

- 7.1 The mitigated risks associated with this report has been captured in the Fund's risk register as detailed below -

<b>Risk No.</b>	<b>Risk</b>	<b>Residual risk rating</b>
4	Contributions to the Fund are not received on the correct date and/or for the correct amount	Amber
5	Fund assets are not sufficient to meet obligations and liabilities.	Amber
7	Information may not be provided to stakeholders as required	Green
9	Those charged with governance are unable to fulfil their responsibilities effectively	Green
15	Custody arrangements may not be sufficient to safeguard Pension Fund assets.	Green
17	Failure to administer the scheme in line with regulations and guidance.	Green
19	Pension Fund investments may not be accurately valued.	Green
25	Investment decisions and portfolio management may not achieve the return required or be performed in accordance with instructions provided.	Green

The Fund's full risk register can be found on the Fund's website at the following link:

<https://pensions.northamptonshire.gov.uk/governance/key-documents/cambridgeshire/>

## **8. Communication Implications**

- 8.1 The final Annual Report and Statement of Accounts will be made available to the public by publication on the Fund's website. The documents will also be shared with the Local Government Association.

## **9. Legal Implications**

- 9.1 No material issues have been identified which may give rise to legal liability and/or risk from an administering authority perspective.

## **10. Consultation with Key Advisers**

- 10.1 The Pension Fund Accounts are produced utilising information and advice provided by Investment Managers, the Fund's Custodian Northern Trust and the Fund's Actuary, Hymans Robertson.
- 10.2 Squire Patton Boggs conducted a review of the paper for legal implications.

## **11. Alternative Options Considered**

11.1 Not applicable.

## **12. Background Papers**

12.1 Not applicable.

## **13. Appendices**

13.1 Appendix A Annual Report and Statement of Accounts 2022-23

13.2 Appendix B Audit Results Report 2022-23

### **Checklist of Key Approvals**

Has this report been cleared by Chief Finance Officer/Section 151 Officer? 29/11/2023

Has this report been cleared by Head of Pensions? 17/11/2023

Has this report been cleared by Monitoring Officer? 28/11/2023





# **Cambridgeshire County Council Pension Fund Annual Report and Statement of Accounts Year Ended 31 March 2023**

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## Appendix A – ACCESS Annual Report

# Chair's Foreword

# Statement of Responsibilities

## Introduction

This Annual Report and Statement of Accounts sets out the arrangements by which the Local Government Pension Scheme operates, reports changes which have taken place and reviews the investment activity and performance of the Cambridgeshire County Council Pension Fund ("Fund") during the year.

The Statement of Accounts has been prepared in accordance with the CIPFA/LASAAC Code of Practice for Local Authority Accounting in the United Kingdom 2022-23.

The accounts summarise the transactions of the Fund and deal with the net assets at the disposal of the Pension Fund Committee members. The accounts do not take account of the obligation to pay future benefits which fall due after year end. The actuarial position of the Fund which takes into account these obligations is available on the Fund's website, [2022 Valuation Report](#)

## The Council's Responsibilities in respect of the Pension Fund

The Cambridgeshire County Council 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 Council that officer is the Chief Finance Officer;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts which form part of the Council's Statement of Accounts

## The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Council's statement of accounts in accordance with proper practices as set out in the *CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code)*.

In preparing this statement of accounts, the Chief Finance Officer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgments and estimates that were reasonable and prudent; and
- Complied with the Code.

The Chief Finance Officer has also:

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

## Certificate of Accounts



















I certify that this Statement of Accounts presents a true and fair view of the financial position of the Pension Fund at 31 March 2023 and of its income and expenditure for the year 2022-23, and authorise the accounts for issue.

XXXXXX

Chief Finance Officer  
(Section 151 Officer)  
Dated: XXXXXXXXXXXX



# Scheme Management, Advisors and Partners

Partners		Asset Managers (Continued)	
ACCESS (Pension Pool)		Dodge & Cox Funds*	
AON (Consultants)		Equitix Ltd	
Ernst & Young (Auditors)		Foresight Group	
Eversheds Sutherland (Legal Advisor)		Harbour Vest Partners (UK)	
Hymans Robertson (Actuary)		IFM Investors	
Mercer (Investment Consultants)		JO Hambro *	
NatWest (Bank)		JP Morgan	
Northern Trust (Custodian)		Link Fund Solutions (ACCESS)	
Pathfinder (Legal Advisor)		Longview Partners*	
Sam Gervaise-Jones (Ind. Advisor)		M&G Investments*	
Squire Patton Boggs (Legal Advisors)		Partners Group	
Asset Managers		Schroders	
Adams Street Partners		USB Asset Management	
Allianz Global Investors		AVC Providers	
Ares Asset Management		Prudential	
Blue Bay Asset Management		Utmost Life & Pensions	

\*Sub-funds managed by link fund solutions in the ACCESS pool (page 31) Page 153 of 280

# Scheme Management & Key Officers

## The Key Officers of the Fund during the year were:

Mark Whitby – Head of Pensions

Ben Barlow – Investments and Fund Accounting Manager

Joanne Kent – Systems and Projects Manager

Akhtar Pepper – Operations Manager

Cory Blose – Employer Services and Communications Manager

Michelle Oakensen – Governance and Regulations Manager

Further information regarding the accounts and investments can be obtained from:

### **Ben Barlow**

Investments and Fund Accounting Manager

Pension Services

Email: [Ben.Barlow@westnorthants.gov.uk](mailto:Ben.Barlow@westnorthants.gov.uk)

Telephone: 07831 123167



Enquiries relating to management and administration should be directed to:

### **Mark Whitby**

Head of Pensions

Pension Services

Email: [Mark.Whitby@westnorthants.gov.uk](mailto:Mark.Whitby@westnorthants.gov.uk)

Telephone: 07990 556197



Registered Pension Scheme Number: 10038487

# Scheme Administration

## Introduction

Cambridgeshire County Council is responsible for administering the Cambridgeshire Pension Fund, which is available to employees of the County Council, organisations with a statutory right to be in the scheme (scheduled bodies) and organisations, such as charities, which the County Council has admitted under its discretionary powers (admitted bodies). As well as organisations that can admit their employees to the LGPS by passing their resolution (nominate employees for access to the LGPS).

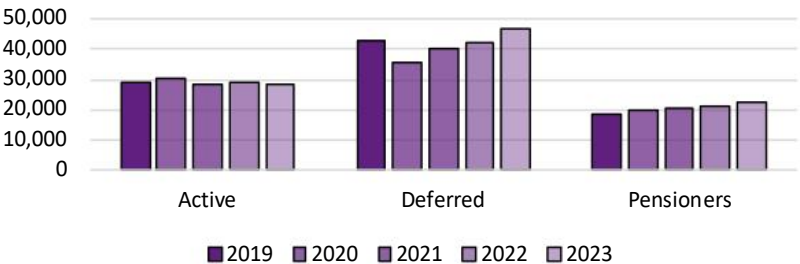
The Fund is a qualifying scheme under the automatic enrolment regulations and can be used by employers to automatically enrol eligible employees, and every three years re-enrol anyone who opts out of the scheme.

A shared service partnership between Cambridgeshire County Council and West Northamptonshire Council provides pension administration services to the Cambridgeshire Pension Fund.

## Membership

Membership of the Fund increased by 4.9% from the previous year.

On 31 March 2023 there were 28,067 active, 46,666 deferred and 22,414 pensioner members in the Fund. The deferred figure is inclusive of 11,412 open cases that may change status (undecided leavers).



## Pension Fund Administration

There are 83 staff members (79.05 full time equivalent) within the Pensions Team, providing all aspects of service to both the Cambridgeshire and Northamptonshire Funds, with an average staff to member ratio of 1:2,250 (total members for Northamptonshire and Cambridgeshire Pension Funds divided by full time equivalent staff members).

Internal audit perform risk based audit procedures to assess the effectiveness and efficiency of administration services.

The requirements of the General Data Protection Regulations (GDPR) are recognised and feature in the design of the Fund's administration processes. The Fund has in place a GDPR compliant privacy notice, conducts privacy impact assessments for all new activities involving personal data and has in place a Register of Processing Activities and Information Asset Register.

## Scheme Administration Tools

The Pensions website contains detailed information for all the Fund's stakeholders and has dedicated pages for both members and employers. There is a comprehensive suite of forms and factsheets for members, prospective members and employers.

Support for members and employers can be accessed via the website or by contacting the Helpline on 01604 366537.

[Member Self Service](#) is an online platform which allows members to securely access their records, amend their personal information, perform benefit projections and view their annual benefits statement.

i-Connect is a system used which allows employers to securely upload monthly payroll data into the pension database, improving efficiency and accuracy of data and ensuring timely record maintenance.

# Scheme Administration (continued)

## Scheme Framework

The Local Government Pension Scheme is a statutory funded pension scheme. The operation of the Cambridgeshire County Council Pension Fund is principally governed by the Local Government Pension Scheme Regulations 2013 (as amended) and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended) which have been made within the context of the primary legislation of the Public Service Pensions Act 2013.

The Scheme covers eligible employees of the County Council, the Police Authority, Police and Crime Commissioner, Combined Authority, District and Borough Councils and Academies within the county area other than teaching staff, police officers and fire-fighters for whom separate statutory arrangements exist. A number of other bodies are also members of the scheme.

Employers' contribution rates are set by the Fund's Actuary every three years following the valuation of the Fund, in order to maintain the solvency of the Fund. The last valuation took place as at 31 March 2022. The results of the valuation were a funding level of 125% and an average primary employer contribution rate of 18.4% (31 March 2019: 18.4%). The primary rate includes an allowance of 0.8% (31 March 2019: 0.6%) of the pensionable pay for the Fund's expenses. The average employee contribution rate is 6.4% (31 March 2019: 6.3%) of pensionable pay.

On 1 April 2014, the new Local Government Pension Scheme 2014 came into effect, allowing more flexibility around paying into the scheme and drawing benefits in comparison to the 2008 scheme. Normal pension age is linked to the state pension age but benefits can be drawn earlier or later, between age 55 and 75. The normal retirement age is the age a member can access their pension in full; if it is accessed before that date benefits will usually be reduced and if accessed after normal retirement age benefits may increase. All service built up to 31 March 2014 in the LGPS is fully protected and will continue to be based on a member's final year annual pay when the individual leaves the LGPS (2008 scheme).

Benefits built up before April 2014 also retain their protected Normal Pension Age, which for most members is 65, although certain members have a retirement age of 60 for all or part of their membership. There is an additional protection known as the 'underpin' for members who were active on 31 March 2012 and were within ten years of their Protected Normal Pension Age on 1 April 2012. These members will get a pension at least equal to the pension they would have received in the LGPS had it not changed on 1 April 2014, subject to meeting certain criteria.

In December 2018 the Court of Appeal ruled against the Government in two linked cases relating to the Judicial Pension Scheme and the Firefighters' Pension Schemes. This ruling is generally referred to as the McCloud judgment, or simply McCloud.

In essence, the Court held that the transitional protections afforded to older members of these schemes when their reformed schemes were introduced in 2015 constituted unlawful age discrimination.

The Government sought permission to appeal to the Supreme Court and it was announced on 27 June 2019 that the application had been refused.

A written ministerial statement followed on 15 July 2019 to confirm that, as transitional protection was provided in all public service schemes upon their reform, the McCloud judgment had implications for all those schemes, including the LGPS in England and Wales.

Primary legislation required in relation to the McCloud remedy has now been put in place as The Public Service Pensions and Judicial Offices Bill received Royal Assent in March 2022, becoming the Public Service Pensions and Judicial Offices Act 2022.

While there was a DLUHC consultation in 2020 on proposed amendments to the LGPS Regulations necessary to remedy the specific unlawful age discrimination in the LGPS, no actual amendments have been made as yet. A consultation took place in Summer 2022 on the proposals to extend the current underpin to younger members and remove the requirement to have an immediate entitlement to benefits on leaving to qualify for underpin protection.

# Scheme Administration (continued).

The below table compares the 2008 and the 2014 schemes.

Schemes	LGPS 2008	LGPS 2014
<b>Basis of Pension</b>	Final Salary	Career Average Revaluated Earnings (CARE)
<b>Accrual Rate</b>	1/60 <sup>th</sup>	1/49 <sup>th</sup>
<b>Revaluation Rate</b>	Based on Final Salary	Consumer Prices Index (CPI)
<b>Pensionable Pay</b>	Pay excluding non contractual overtime and non pensionable additional hours	Pay including non-contractual overtime and additional hours
<b>Employee Contribution Rates</b>	Between 5.5% and 7.5%	Between 5.5% and 12.5%
<b>Contribution Flexibility</b>	No	Option to pay 50% contributions for 50% of pension benefit
<b>Normal Pension Age</b>	65	Equal to individuals state pension age
<b>Lump Sum Trade Off</b>	Trade £1 of pension for £12 lump sum	Trade £1 of pension for £12 lump sum
<b>Death in Service Lump Sum</b>	3 x Pensionable Pay	3 x Pensionable Pay
<b>Death in Service Survivor Benefits</b>	1/160 <sup>th</sup> accrual based on Tier 1 ill health pension enhancement	1/160 <sup>th</sup> accrual based on Tier 1 ill health pension enhancement
<b>Ill Health Provision</b>	<p>Tier 1 – Immediate payment with service enhanced to Normal Pension Age (65)</p> <p>Tier 2 – Immediate payment with 25% service enhancement to Normal Pension Age (65)</p> <p>Tier 3 – Temporary payment of pension for up to 3 years</p>	<p>Tier 1 – Immediate payment with service enhanced to Normal Pension Age</p> <p>Tier 2 – Immediate payment with 25% service enhancement to Normal Pension Age</p> <p>Tier 3 – Temporary payment of pension for up to 3 years</p>
<b>Indexation of Pension in Payment</b>	CPI (RPI for pre-2011 increases)	CPI
<b>Vesting Period</b>	3 months	2 years

# Scheme Administration (continued)

## Pension Fund Committee and Local Pension Board membership

The following table shows the attendance of Committee and Board members at applicable Pension Fund Committee, Investment Sub-Committee and Local Pension Board meetings during 2022-23, training undertaken in year, including; Training days, Conferences and Strategic Workshops.

Councillor/Member Name	Committee/Board	Meetings Attended	Training Undertaken (In person and virtual)
Cllr Whelan	Pension Committee Investment Sub Committee	5 meetings out of 5 4 meetings out of 4	9 sessions attended
Cllr Rae	Pension Committee Investment Sub Committee	5 meetings out of 5 4 meetings out of 4	10 sessions attended
Cllr Sharp	Pension Committee Investment Sub Committee	5 meetings out of 5 4 meetings out of 4	6 sessions attended
Cllr Costello	Pension Committee Investment Sub Committee	4 meetings out of 5 4 meetings out of 4	8 sessions attended
Cllr Boden	Pension Committee Investment Sub Committee	2 meetings out of 5 1 meetings out of 4	2 sessions attended
Lee Phanco	Pension Committee Investment Sub Committee	4 meetings out of 5 4 meetings out of 4	4 sessions attended
John Walker	Pension Committee Investment Sub Committee	4 meetings out of 5 4 meetings out of 4	8 sessions attended and 1 external conference
Cllr Dew	Pension Committee	0 meeting out of 1 (appointed Feb 23)	1 session attended
Cllr Murphy	Pension Committee	2 meetings out of 4 (resigned Feb 23)	5 sessions attended
Cllr Prentice	Pension Committee	1 meeting out of 5	1 session attended
Cllr Coles	Pension Committee	5 meetings out of 5	5 sessions attended
Matthew Pink	Pension Committee	2 meetings out of 5	3 sessions attended
Cllr Slatter	Pension Fund Board	3 meetings out of 4	3 sessions attended
Cllr King	Pension Fund Board	2 meetings out of 4	3 sessions attended
Cllr Payne	Pension Fund Board	4 meetings out of 4	6 sessions attended and 1 external conference
Barry O'Sullivan	Pension Fund Board	4 meetings out of 4	4 sessions attended and 1 external conference
Val Limb	Pension Fund Board	3 meetings out of 4	3 sessions attended and 1 external conference
Martin Dachs	Pension Fund Board	2 meetings out of 4	3 sessions attended
Cllr Atkins (substitute)	Pension Committee	2 meetings out of 5	
Cllr Batchelor (substitute)	Pension Committee	1 meeting out of 5	
Liz Brennan (substitute)	Pension Committee	1 meeting out of 5	

# Scheme Administration (continued)

## Policies and Strategy Statements

Information about the Fund's policies and procedures can be found on the Fund's website:

[Cambridgeshire Pension Fund Key Documents](#)

### The following policies were in place during the financial year

- Administering Authority Discretions
- Administration Strategy
- Admitted Bodies Scheme Employers and Bulk Transfers Policy
- Annual Business Plan & Medium Term Strategy
- Anti-Fraud and Corruption Policy
- Cambridgeshire Pension Fund Training Strategy
- Cash Management Strategy
- Cessations Policy
- Climate Action Plan
- Communications Plan
- Communications Strategy
- Data Improvement Policy and Plan
- Employer Data Retention Policy
- Funding Strategy Statement
- Governance Policy and Compliance Statement
- Investment Strategy Statement
- Overpayment of Pension Policy
- Payment of Pension Contributions Policy
- Reporting Breaches of the Law to the Pensions Regulator Policy
- Risk Register
- Risk Strategy
- The Fund also has a Cyber Strategy, however this is not published due to its sensitive nature

## Statement/Policy Changes in 2022-23

The following strategies and policies have been reviewed and updated accordingly in 2022-23:

- Administering Authority Discretions
- Annual Business Plan and Medium-Term Strategy
- Anti-Fraud and Corruption Policy
- Cessations Policy
- Climate Action Plan
- Communications Plan
- Communications Strategy
- Conflicts of Interest Policy
- Data Improvement Policy
- Data Improvement Plan
- Funding Strategy Statement
- Investment Strategy Statement
- Overpayment of Pension Policy
- Reporting Breaches of the Law to the Pensions Regulator
- Risk Register
- Risk Strategy

# Management and Financial Performance

## The Team

The Pensions Service is based in Northampton and consists of the following teams:

- **Accounting** – record and reconcile contributions paid into the Fund and accounts for fund expenses. Provide financial monitoring and reporting of functions such as debt management and cash requirements and investment accounting.  
Email: [PenContributions@westnorthants.gov.uk](mailto:PenContributions@westnorthants.gov.uk)
- **Employers** – contact point for employers of the scheme and those wanting to join. Deliver training sessions to employers and payroll providers covering the systems available to assist them to participate efficiently in the Fund.  
Email: [PenEmployers@westnorthants.gov.uk](mailto:PenEmployers@westnorthants.gov.uk)
- **Governance** – support all Committees in governing the Fund effectively, develop and monitor policies and practices to improve data quality and ensure regulatory compliance.  
Email: [Pensions@westnorthants.gov.uk](mailto:Pensions@westnorthants.gov.uk)
- **Investments** – oversee the governance of Fund assets and support the Investment Sub-Committee.  
Email: [PenInvestments@westnorthants.gov.uk](mailto:PenInvestments@westnorthants.gov.uk)
- **Operations** – maintain member records, calculate benefits and pensions payable.  
Email: [Pensions@westnorthants.gov.uk](mailto:Pensions@westnorthants.gov.uk)
- **Projects** – is responsible for delivering a wide range of projects that are required to be delivered across the service.  
Email: [PenProjects@westnorthants.gov.uk](mailto:PenProjects@westnorthants.gov.uk)
- **Systems** – ensure internal systems are operating efficiently and provide support to maintaining accurate member records.  
Email: [PenSystems@westnorthants.gov.uk](mailto:PenSystems@westnorthants.gov.uk)

## Complaints

Should you have a complaint about the service, we will do our best to put things right. To access support, please contact [Pensions@westnorthants.gov.uk](mailto:Pensions@westnorthants.gov.uk), telephone 01604 366537, or write to: Pensions Service, West Northamptonshire Council, The Guildhall, St Giles Square, Northampton, NN1 1DE

## Appeals

The LGPS regulations provide Internal Dispute Resolution Procedures (IDRP), details of which can be accessed via [the website](#).

Stage 1 disputes are decided by Head of Pensions if the complaint concerns an administering authority decision, or by an adjudicator appointed by the Employer if an Employer decision.

At Stage 2, the complaint is considered by Cambridgeshire County Council's Monitoring Officer, and if the complainant is still unhappy with the decision they may formally refer the case to The Pensions Ombudsman.

At any stage a scheme member may contact The Pensions Ombudsman for assistance with their complaint, but for a formal complaint to be raised with them both Stages of the IDRP would normally need to be completed first. More information can be found on [The Pensions Ombudsman website](#).

The following formal disputes have arisen and/or been resolved during the year:

Nature of dispute	Stage 1	Stage 2
Award of Pension Credit lower than estimated value.	Partially Upheld	N/A
Delays in paying AVC funds resulting in lower valuation of funds.	Upheld	N/A
Challenge in allowing a historic transfer of pension rights to an overseas scheme in 2015.	Not upheld	N/A
Delays in paying AVCs causing anxiety and stress.	Upheld	N/A
Refusal to pay 50% survivor's pension as was a post retirement marriage therefore benefits based on post 1978 service.	Not Upheld	In progress
Challenging Tier 3 ill health entitlement awarded.	(employer)	Not Upheld
Refusal of employer's decision not to award ill-health pension from Active status.	(employer)	Not Upheld



# Management and Financial Performance (continued)

## Managing Decision Making

Cambridgeshire County Council has established a Pension Fund Committee (PFC) and Investment Sub-Committee (ISC) having strategic and operational investment decision making powers, respectively.

Membership of both bodies consist of elected members, and non-elected employer and scheme member representatives. All members of the ISC sit on the PFC.

The PFC's business covers all Fund matters with the exception of non-strategic investment issues, which are delegated to the ISC. Officers across the operations, investment, transactions, corporate and governance functions support the PFC and ISC as required. All meetings of the PFC and ISC are duly minuted.

PFC members and ISC members are required to attain a desired level of skills and knowledge, to ensure decisions being made on behalf of Cambridgeshire County Council Pension Fund are made with full understanding of the impact and therefore mitigating the risk of unfounded decisions.

The Committee members must at all times be conscious of their accountability to stakeholders. The PFC is responsible for determining the nature and extent of any significant risks taken on by the Administering Authority in the pursuit of its strategic objectives. Risk management should be dynamic and comprehensive, considering operational, reputational and environmental, social and governance (ESG) risks in addition to financial risks.

The Cambridgeshire Full Council has acknowledged the establishment of the ACCESS Joint Committee (AJC) delegating powers to this body in response to the Government's pooling agenda. The Chair of the PFC represent the Fund on the AJC, supported by Fund officers working in the ACCESS Officers Working Group (OWG).

The Local Pension Board (LPB) was established on 1 April 2015, providing an additional layer of governance for the Fund. The LPB is non-decision making but has the responsibility of assisting the Administering Authority to:

- Secure compliance with the Local Government Pension Scheme (LGPS) regulations and other legislation relating to the governance and administration of the LGPS and also the requirements imposed by the Pensions Regulator in relation to the LGPS; and
- Ensure the effective and efficient governance and administration of the LGPS.

The LPB has provided a separate annual report of its activities to Council for this financial year.

# Management and Financial Performance (continued)

## Risk Management

The Cambridgeshire Pension Fund has both a risk strategy and a risk register in place to identify, evaluate, mitigate and monitor risks associated with the activities that the Fund carries out. Risk is managed through regular reporting to both the Pension Fund Committee and Local Pension Board. Identified risks are recorded in the Risk Register, a copy of which can be found at: [Risk Register](#)

The aim of the Risk Register is to ensure that an informed decision can be made on whether a risk can, or should be accepted. Risk appetite is informed by an understanding of any existing controls and will also be influenced by the expected reward or outcome. Once risks have been identified the Fund assesses the impact and likelihood of a risk to enable effective decision making.

Risks recorded in the Risk Register are linked and managed in line with the Pension Fund objectives to ensure relevance and are reviewed by the Pension Fund Committee twice a year and the Local Pension Board quarterly. New risks are therefore identified promptly and current risks are monitored on a regular basis, with risk ratings revised where necessary. The accompanying Risk Strategy is reviewed on an annual basis to ensure it remains relevant to support the Risk Register.

Third party risks are managed through the Risk Register and associated policies, such as the Payment of Pension Contributions Policy. Mitigations are put in place to minimise third party risks and, in particular, the risks associated with Scheme Employers and effective covenant monitoring.

## Investment Risk

The Fund's Investment Strategy Statement, which is reviewed annually, sets out the Fund's investment strategy which incorporates evaluation of key investment risks.

In addition the Statement of Accounts section of this document, provides further information about Investment risks and how they apply to the Investment Assets held by the Fund.

There are many risks inherent in investments. The Fund addresses these in the following ways:

**Market Risk** – investments will reduce in value due to fluctuations in prices, interest rates, exchange rates and credit spreads.

The Fund invests in different markets across the world and in different types of investment to reduce the risk of the portfolio reducing in value due to adverse market conditions and to smooth returns.

**Price Risk** – investments may be incorrectly valued due to price fluctuations or estimates used in pricing.

Investments are valued at published prices, where available. Investments that are not sold on a market are valued by specialist Investment Managers. Notes 16, 17 and 18 in the Statement of Accounts give information about how investments are valued and give an indication of the value of investments subject to an element of estimation.

At year end all Investment Managers, including Link Fund Solutions who are the Operator of the ACCESS pool (page 31), are required to provide ISAE 3402 Service Organisation Control Reports which are made available to external audit.

## Risk Assurance

The objective of an internal audit is to educate management and employees about how they can improve business operations and efficiencies while giving reliability and credibility to the financial reports that go to Pension Fund Committee and the Local Pension Board. Internal audit awarded the Fund substantial assurance following its testing within the year.

# Management and Financial Performance (continued)

## Financial Performance

The financial performance of the Fund is monitored against budgeted performance on a regular basis throughout the year by the Pension Fund Committee.

Performance Indicators	2022-23 Budget £000	2022-23 Actual £000
Contributions	135,000	148,915
Transfers in from other funds	8,000	18,402
<b>Total Income</b>	<b>143,000</b>	<b>167,317</b>
Benefits payable	-121,000	-123,517
Payments to and for leavers	-10,000	-11,281
<b>Total Benefits</b>	<b>-131,000</b>	<b>-134,798</b>
<b>Surplus of contributions over benefits</b>	<b>12,000</b>	<b>32,519</b>
Management Expenses		
Administrative Costs	-2,674	-2,868
Investment Management Expenses (Invoiced)	-981	-822
Investment Management Expenses (Non-Invoiced)	0	-20,146
Oversight and Governance Costs	-900	-1,058
<b>Total Management Expenses</b>	<b>-4,555</b>	<b>-24,894</b>
<b>Total Income less Expenses</b>	<b>7,445</b>	<b>7,625</b>
Investment Income	30,000	52,598
Taxes on Income	0	0
Profit/(loss) on disposal and changes in market value of investments	169,000	-133,859
<b>Net return on investments</b>	<b>199,000</b>	<b>-81,261</b>
<b>Net increase/(decrease) in assets during the year</b>	<b>206,445</b>	<b>-73,636</b>

Management expenses per active member are shown below:

	2021-22	2022-23
Active Members	28,911	28,067
	£	£
Administrative Cost	90.00	102.18
Investment Management Expenses	765.45	747.07
Oversight and Governance Costs	31.16	37.70

## Variance Analysis

- Contributions and benefits are in line with current membership numbers.
- Transfers in and payments out are demand led.
- Investment Management expenses budget is understated as this does not include a forecast for non-invoiced expenses which are pooled fees deducted from market value. This will be included in the 2023-24 budget.
- The 2022-23 budget for profit/loss on disposal and changes in market value of investments assumed the actuarial target would be achieved. The actual market experience is explained in the investments consultant's review (page 42).

Details of non-investment assets and liabilities of the Fund can be found in the Statement of Accounts in Notes 21 to 22.

# Management and Financial Performance (continued)

## Performance Indicators

The Fund has developed a number of Key Performance Indicators (KPIs) to monitor service delivery, these KPIs are reviewed internally on a monthly basis to monitor and inform where delivery is met or remedial action is required. The Pension Fund Committee receives quarterly performance updates within a Business Plan update.

The below table shows the number and trend of the top 7 types of scheme administration cases demonstrating both workload and efficiency in meeting internal KPI and external legal requirements.

Key Performance Indicators	Cases completed in the year	Cases completed within KPI target	% of Cases completed within KPI target
<b>Deaths</b> – initial letter acknowledging death of member <i>KPI: 5 working days, Legal requirement: 2 months</i>	582	582	100
<b>Deaths</b> – letter notifying amount of dependant's pension <i>KPI: 5 working days, Legal requirement: 2 months</i>	359	354	99
<b>Estimates</b> – letter notifying estimate of retirement benefits to employee <i>KPI: 10 working days, Legal requirement: 2 months</i>	604	576	95
<b>Retirements</b> – process and pay pension benefits on time <i>KPI: 5 working days, Legal requirement: 2 months</i>	517	482	93
<b>Deferment</b> – calculate and notify deferred benefits <i>KPI: 15 working days, Legal requirement: N/A</i>	2,626	2,482	95
<b>Transfers in</b> – Letter detailing transfer in (actual) <i>KPI: 10 working days, Legal requirement: 2 months</i>	302	297	98
<b>Transfers out</b> – letter detailing transfer out (quote) <i>KPI: 10 working days, Legal requirement: 3 months</i>	591	585	99

# Management and Financial Performance (continued)

## Contributions

The Fund works closely with employers to collect contributions on time. The following table shows the amount of regular employee and employer contributions paid during the year and the value and percentage of which were paid both on time and after the deadline of the 19th day of the month following deduction.

Contributions	Total Paid in 2022-23 £000	Total Paid On Time £000	% Paid On Time	Total Paid Late £000	% Paid Late
Employer	115,791	115,510	99	281	1
Employee	33,124	33,045	99	79	1
<b>Total</b>	<b>148,915</b>	<b>148,555</b>	<b>99</b>	<b>360</b>	<b>1</b>

The Fund did not apply any additional charges or levies in respect of contributions received late, and no reports were made to The Pensions Regulator in respect of late contributions during the year.

## Recovery of Overpayments of Pension

The Fund participates in the National Fraud Initiative which is a biennial process. The necessary recoveries arising from identified overpayments are being pursued.

Annual Pensioner Payroll (£) <sup>1</sup>	102,401,348
Total write off amount (£)	68,759
Write off amount as % of payroll	0.07%

<sup>1</sup>Excludes additional pension awarded by the employer.

The following tables show the analysis of pension overpayments that occurred during the last five years:

Year	Overpayment £	Recovered/in progress £	Written Off £
2018-19 <sup>2</sup>	344,153	282,908	61,245
2019-20	97,143	36,137	61,006
2020-21	19,846	4,895	14,951
2021-22	40,591	28,750	11,841
2022-23 <sup>3</sup>	102,395	33,636	68,759

<sup>2</sup>Overpayments in 2018-19 and 2019-20 appear particularly high, as in addition to usual activity, the Fund undertook a significant reconciliation project during the year in which a number of overpayments were identified.

<sup>3</sup>Overpayments in 2022-23 are high, as in addition to usual activity, the Fund undertook a Guaranteed Minimum Pe (GMP) rectification project. Overpayments identified as a result of incorrect or non-application of the GMP are automatically written off without authorisation, unless the member could have known that their pension was being paid incorrectly as a result of the non or misapplication of GMP.

Overpayments identified with a value of under £250 are automatically written off, in line with the Fund's Overpayments Policy.

# Management and Financial Performance (continued)

## Contributors to the Fund

Active Employers as at 31<sup>st</sup> March 2023

Type Of Body	Number of Active Employers
<b>Administering (AA)</b>	<b>1</b>
<b>Scheduled (S)*</b>	<b>241</b>
<b>Admitted (Ad)</b>	<b>99</b>
<b>Total</b>	<b>341</b>

\*LEA schools are included within Scheduled Bodies but not in the above figures as they belong to their responsible local authorities, and in the table below they are shown in the Body column as S\*

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
(NHS) Cambridgeshire & Pboro CCG	12,729	56,317	69,046		Ad
Abbey College Academy	63,634	196,095	259,729		S
Abbotts Ripton School (CCC)	6,925	27,199	34,124		S*
ABM (Eynesbury Primary)	217	1,348	1,565	Y	Ad
ABM Catering (Brewster Avenue Infant School)	1,860	10,919	12,779		Ad
ABM Catering (Holywell)	230	917	1,147	Y	Ad
ABM Catering (Oakdale Primary School)	904	3,643	4,547		Ad
ABM Catering (St Augustine's)	1,079	4,628	5,707		Ad
ABM Catering Limited (Alderman Jacobs)	1,721	5,519	7,240		Ad
ABM Catering Limited (Heltwater Primary and Marshfields Primary School)	246	1,054	1,300		Ad
ABM Catering Limited (St John's CE Primary School (Huntingdon))	1,535	6,783	8,318		Ad

The table, left, shows employers in the fund as at the 31<sup>st</sup> March 2023, the breakdown of contributions by employer shown below will have different numbers of employers to the statement of accounts, as employers joined and left the fund throughout the year, an active or ceased column has been added to show this movement. Where contributions exist for ceased employers, this will be where prior year adjustments have been made within 2022-23, or contribution receipts recorded within the period.

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
ABM Catering Limited (The Beeches Primary and Hampton Hargate Primary)	506	2,149	2,655		Ad
ABM Catering Ltd (Great Paxton Primary School, Newton Community Primary School, Offord Primary School and Samuel Pepys School)	419	1,590	2,009	Y	Ad
Active Learning Trust (HQ)	68,793	144,335	213,128		S
Advanced Cleaning (Bur&Neth)	459	1,848	2,307		Ad
Advanced Cleaning Services (Weatheralls)	388	1,597	1,985		Ad
Alconbury C of E Primary (CCC)	19,540	76,186	95,726		S*
Alderman Jacobs Academy	49,412	161,610	211,022		S
Alderman Payne Primary (CCC)	9,766	38,953	48,719		S*
All Saints Inter Church Academy	15,466	71,342	86,808		S
All Saints' Primary School (PCC)	31,259	128,768	160,027		S*
Alliance in Partnership Limited	392	1,512	1,904	Y	Ad

# Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Aramark (Cambridge Regional College)	2,687	14,048	16,735		Ad
Arbury Primary School (CCC)	20,447	79,784	100,231		S*
Arthur Mellows VC Academy	101,790	316,834	418,624		S
Ashbeach Primary School (CCC)	14,138	56,732	70,870		S*
Aspens (All Saints Inter Church Academy)	111	715	826		Ad
Aspens (Brampton Village Primary School)	197	787	984	Y	Ad
Aspens (Diamond Learning Partnership Trust)	508	2,265	2,773		Ad
Aspens (Hemingford Grey)	387	1,441	1,828	Y	Ad
Aspens (Park Street)	1,233	4,904	6,137		Ad
Aspens (Sacred Heart)	39	246	285		Ad
Aspens (St Philip's CE Prim)	530	2,119	2,649		Ad
Aspens (The Harbour School)	898	3,828	4,726		Ad
Aspens Services (Fulbourn Pri)	140	542	682	Y	Ad
Aspens Services Ltd (Cottenham VC)	1,514	4,993	6,507		Ad
Babraham CE Primary Academy	3,639	15,727	19,366		S
Balfour Beatty	2,730	-	2,730		Ad
Balsham Parish Council	672	2,628	3,300		S
Bar Hill Community Primary School	18,086	68,050	86,136		S
Bar Hill Parish Council	1,430	5,381	6,811		S
Barnabas Oley CE Primary School	9,305	37,007	46,312		S*
Barnack CE Primary School (PCC)	10,978	45,469	56,447		S*
Barrington CE Primary (CCC)	11,043	44,043	55,086		S*
Barton CE (VA) Primary School	10,683	41,274	51,957		S*
Bassingbourn Primary (CCC)	25,167	98,645	123,812		S*

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Bassingbourn V C Academy	22,795	74,484	97,279		S
Beaupre CP School (CCC)	14,539	55,773	70,312		S*
Bellbird School (CCC)	26,581	104,817	131,398		S*
Benwick Primary School (CCC)	10,638	41,919	52,557		S*
Bewick Bridge C P School (CCC)	21,308	82,063	103,371		S*
Bishop Creighton Academy	17,671	52,801	70,472		S
Bottisham Community Primary Academy	19,723	90,038	109,761		S
Bottisham VC Academy	130,991	368,122	499,113		S
Bourn Primary Sch-Academy	10,949	36,509	47,458		S
Brampton Village School (CCC)	35,247	138,237	173,484		S*
Braybrook Primary School Academy	17,139	67,140	84,279		S
Bretton Parish Council	3,548	11,735	15,283		S
Brewster Avenue School (PCC)	17,311	73,296	90,607		S*
Brington CE Primary School (CCC)	9,736	37,761	47,497		S*
Brunswick Nursery School (CCC)	13,402	50,928	64,330		S*
Buckden CE Primary Sch-Academy	34,117	112,372	146,489		S
Burnt Fen I D B	3,466	11,463	14,929		S
Burrough Green Primary (CCC)	7,196	28,688	35,884		S*
Burrowmoor Primary Academy	28,815	100,506	129,321		S
Burwell Parish Council	1,963	6,496	8,459		S
Burwell VC Primary (CCC)	20,890	83,327	104,217		S*
Bury CE Primary School	6,946	29,020	35,966		S
Bushmead Primary School (CCC)	30,811	118,961	149,772		S*
Busy Bee Cleaning Services Ltd (St Bede's Inter-Church School)	121	570	691	Y	Ad

# Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Caldecote Primary School (CCC)	12,559	48,461	61,020		S*
Cambourne Parish Council	25,458	81,717	107,175		S
Cambourne Village College Academy	94,196	288,890	383,086		S
Cambridge & Peterborough NHS Foundation Trust	13,968	65,941	79,909		Ad
Cambridge BID Ltd	245	626	871		Ad
Cambridge City Council	1,850,945	4,683,089	6,534,034		S
Cambridge Meridian Academy Trust (HQ staff)	190,322	461,167	651,489		S
Cambridge Regional College	511,024	1,925,194	2,436,218		S
Cambridgeshire and Peterborough Combined Authority	367,067	822,499	1,189,566		S
Cambridgeshire Community Service NHS Trust	-	2,951,000	2,951,000	Y	Ad
Cambridgeshire County Council	7,671,284	24,027,492	31,698,776		AA
Cambs & P'boro Fire Authority	421,891	1,548,196	1,970,087		S
Cambs Chief Constable	1,939,209	6,619,760	8,558,969		S
Cambs Police & Crime Commissioner	55,211	163,923	219,134		S
Care Quality Commisson	7,729	-	7,729		Ad
Castle Camps Primary (CCC)	8,444	33,279	41,723		S*
Castle School (CCC)	100,131	380,287	480,418		S*
Castor CE Primary School (PCC)	12,323	51,525	63,848		S*
Caterlink (Active L T)	11,247	44,730	55,977		Ad
Caterlink (Anglian Learning)	437	1,734	2,171	Y	Ad
CaterLink (Diamond Learning Partnership Trust)	1,651	6,858	8,509	Y	Ad
Caterlink (Priory Park Infant School)	229	915	1,144		Ad
Caterlink (The Diamond L P)	1,001	6,170	7,171	Y	Ad
Caterlink UK Ltd (The Vine Inter-Church School)	1,028	3,998	5,026	Y	Ad

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Cavalry Primary School	46,285	164,426	210,711		S
Caverstede Nursey School	23,987	98,563	122,550		S*
Chatteris Town Council	3,455	11,923	15,378		S
Cherry Hinton Primary (CCC)	19,920	77,145	97,065		S*
Chesterton Community College	69,198	222,596	291,794		S
Chesterton Primary Academy	12,952	43,061	56,013		S
Cheveley Primary School (CCC)	6,186	24,671	30,857		S*
Chorus Homes Group Limited	29,238	502,276	531,514		Ad
Churchill Contract Services	4	21	25	Y	Ad
City College Peterborough	204,850	726,528	931,378		S
City of Ely Council	28,818	96,789	125,607		S
City of Peterborough Academy	53,373	148,339	201,712		S
Clarion Housing Association Limited	19,413	618,854	638,267		Ad
Clarkson Infants School (CCC)	18,216	69,047	87,263		S*
CleanTec (Godmanchester)	1,087	3,950	5,037		Ad
Coates Primary School (CCC)	16,774	65,834	82,608		S*
Collections Trust	2,463	24,548	27,011		Ad
Colleges Nursery School (CCC)	16,296	63,093	79,389		S*
Colville Primary School (CCC)	22,365	86,175	108,540		S*
Comberton Academy Trust (HQ)	44,773	115,431	160,204		S
Comberton VC Academy	172,932	554,511	727,443		S
Compass (Anglian Learning Trust: Bassingbourne VC, Sawston VC and Netherhall)	649	1,927	2,576	Y	Ad
Compass (Hinchingbrook)	1,666	6,451	8,117		Ad
Compass Contract Services (Netherhall)	1,638	6,610	8,248	Y	Ad



# Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Compass Contract Services (Staploe ET)	3,640	12,560	16,200		Ad
Conservators of the River Cam	-	107,000	107,000	Y	Ad
Coombs Catering-Leighton Prim	1,233	5,292	6,525		Ad
Coton C of E Primary School (CCC)	9,298	36,952	46,250		S*
Cottenham Primary School (CCC)	37,070	143,751	180,821		S*
Cottenham VC Academy	53,982	165,718	219,700		S
CRCC - Cambridge Rape Crisis Centre	2,321	7,854	10,175		Ad
Cromwell Academy	14,339	52,340	66,679		S
Cromwell Comm College (Academy)	91,760	387,527	479,287		S
Cross Keys Homes Ltd	21,520	127,054	148,574		Ad
Crosshall Infants Academy	39,642	132,276	171,918		S
Crosshall Juniors Academy	39,476	131,496	170,972		S
Cucina Ltd	1,258	4,209	5,467		Ad
Diocese of Ely Multi Academy Trust (DEMAT) HQ Staff	34,222	104,634	138,856		S
Discovery Primary Academy	38,693	142,252	180,945		S
Ditton Lodge Primary School	15,669	58,820	74,489		S
Dogsthorpe Academy	26,061	127,937	153,998		S
Dogsthorpe Infant School	19,949	79,445	99,394		S
Downham Feoffees Primary Academy	6,270	24,236	30,506		S
Dry Drayton Primary (CCC)	5,841	23,247	29,088		S*
Duke of Bedford School (PCC)	21,520	91,312	112,832		S*
Duxford Primary School (CCC)	15,581	61,116	76,697		S*
Earith Primary Academy	8,421	35,625	44,046		S
East Cambs District Council	401,154	1,495,857	1,897,011		S

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
East of England Local Government Association (EEDA/EERA)	88,314	276,529	364,843		Ad
Eastfield Inf and Nursery (CCC)	17,373	67,776	85,149		S*
Easy Clean (TDET)	1,837	10,412	12,249		Ad
Easy Clean (The Phoenix School - Phase 2 Secondary)	50	211	261	Y	Ad
Easy Clean (Upwood Primary School)	382	1,700	2,082		Ad
Easy Clean (WilliamDeYaxley)	152	615	767	Y	Ad
Easy Clean Contractors (Milton Primary School)	100	414	514	Y	Ad
Ecovet FM Ltd	1,644	-	1,644		Ad
Edwards & Blake Ltd (Coates Primary School)	404	1,616	2,020		Ad
Edwards and Blake (Godmanchester Community Education Trust)	459	1,670	2,129		Ad
Edwards and Blake (Stukeley Meadows)	620	2,482	3,102		Ad
Edwards and Blake Ltd (Bassingbourn Primary)	1,118	4,187	5,305		Ad
Elm Cof E Primary Academy	17,398	61,829	79,227		S
Elm Road Primary School	14,772	57,939	72,711		S
Elsworth CE (A) Primary School (CCC)	7,169	28,410	35,579		S*
Elton Church School (CCC)	10,000	39,790	49,790		S*
Ely (City of) College - Academy	61,423	199,685	261,108		S
Ely St John Primary (CCC)	27,042	107,500	134,542		S*
Ermine Street Church Academy	12,617	46,948	59,565		S
Ernulf Academy	44,332	136,723	181,055		S
Everyone Health Limited	2,572	9,178	11,750		Ad
Excelerate (Witchford VC)	8,395	27,391	35,786	Y	Ad

# Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Excellerate Services UK Ltd (Huntingdon Youth Centre)	1,158	3,685	4,843		Ad
Eye C of E Primary School (PCC)	50,297	203,285	253,582		S*
Eye Parish Council	571	2,115	2,686		S
Eynesbury CE School (CCC)	14,421	57,069	71,490		S*
Eyrescroft Primary School	32,870	137,433	170,303		S
Family Psychology Mutual	11,855	28,294	40,149		Ad
Farcet CE Primary Academy	6,873	29,747	36,620		S
Farcet Parish Council	790	2,810	3,600		S
Fawcett Primary School	36,223	137,998	174,221		S*
Fen Ditton Primary Academy	10,543	40,006	50,549		S
Fen Drayton Primary (CCC)	7,481	29,586	37,067		S*
Fenland District Council	616,406	1,591,018	2,207,424		S
Fenstanton Primary School (CCC)	17,812	68,401	86,213		S*
Fields Early Years Centre (CCC)	15,862	60,831	76,693		S*
Folksworth CE Primary (CCC)	5,191	20,561	25,752		S*
Fordham Primary School (CCC)	20,803	82,681	103,484		S*
Fourfields Primary School (CCC)	37,910	144,281	182,191		S*
Fowlmere Primary School (CCC)	4,856	19,123	23,979		S*
Foxton Primary School (CCC)	6,797	26,691	33,488		S*
Freedom Leisure (Fenland DC)	36,317	114,676	150,993		Ad
Friday Bridge Primary (CCC)	8,599	34,397	42,996		S*
Friends Therapeutic Community	42,992	345,046	388,038		Ad
Fulbourn Primary School (CCC)	22,133	84,262	106,395		S*
Fulbridge Academy	100,116	318,640	418,756		S

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Fusion	1,138	3,717	4,855		Ad
Gamlingay First School Academy	33,759	146,507	180,266		S
Gamlingay Parish Council	4,766	16,615	21,381		S
Girton Glebe Primary School	11,807	46,291	58,098		S
Gladstone Primary Academy	42,217	152,650	194,867		S
Glebelands Primary Academy	30,495	122,310	152,805		S
GLL - Greenwich Leisure Ltd	5,770	29,901	35,671		Ad
Godmanchester Community & Bridge Academies	42,196	151,814	194,010		S
Gorefield Primary Academy	12,283	45,855	58,138		S
Goshen Multi Ser (CambsCity)	1,089	7,250	8,339		Ad
Goshen Multiservices Ltd	1,230	6,855	8,085		Ad
GPC Skills Ltd	4,691	12,624	17,315		Ad
Granta School (CCC)	81,362	294,646	376,008		S*
Great Abington Primary (CCC)	7,973	31,244	39,217		S*
Great and LT Shelford (CCC)	15,095	59,647	74,742		S*
Great Gidding CE Primary (CCC)	4,190	16,547	20,737		S*
Great Paxton C of E Primary (CCC)	8,712	33,155	41,867		S*
Great Staughton Academy	8,462	38,794	47,256		S
Great Wilbraham Primary (CCC)	6,801	25,817	32,618		S*
Greater Peterborough UTC	23,083	69,831	92,914		S
Guilden Morden Academy	10,345	37,787	48,132		S
Guyhirn C of E Primary Academy	7,066	30,314	37,380		S
Haddenham Level Drainage Commissioners	1,818	6,012	7,830		S
Haddenham Parish Council	1,961	6,486	8,447		S

# Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Hampton College Academy	127,312	382,268	509,580		S
Hampton Gardens Academy	50,573	153,368	203,941		S
Hampton Hargate Primary (PCC)	48,364	201,305	249,669		S*
Hampton Lakes Academy	15,978	56,391	72,369		S
Hampton Vale Primary Academy	48,044	163,382	211,426		S
Hardwick Primary (CCC)	39,440	153,112	192,552		S*
Harston and Newton P Sch (CCC)	13,280	52,365	65,645		S*
Hartford Infant School	17,087	61,373	78,460		S
Hartford Junior School	20,234	72,655	92,889		S
Haslingfield Primary (CCC)	9,832	38,634	48,466		S*
Hatton Park School	18,106	68,302	86,408		S
Hauxton Primary School (CCC)	9,031	35,806	44,837		S*
HCL (The Ashbeach Primary Sch)	739	3,146	3,885		Ad
Heltwate School (PCC)	88,328	358,679	447,007		S*
Hemingford Grey Primary School	22,031	85,607	107,638		S*
Heritage Park School (PCC)	16,787	69,673	86,460		S*
Hertfordshire Catering Limited (Barrington CofE VC Primary School)	1,152	4,367	5,519		Ad
Hertfordshire Catering Limited (Harston & Newton Community Primary School)	800	3,024	3,824		Ad
Hertfordshire Catering Limited (Hartford Infants, Hartford Junior and Gamlingay First School Academy)	692	2,745	3,437	Y	Ad
Hertfordshire Catering Limited (Hauxton Primary School)	764	2,899	3,663		Ad
Hertfordshire Catering Limited (Melbourn Primary School)	1,636	6,205	7,841		Ad
Hertfordshire Catering Limited (Petersfield CofE Aided Primary School)	380	1,443	1,823		Ad
Hertfordshire Catering Limited (Thongsley Fields Primary)	163	13,016	13,179	Y	Ad
Highfield Ely Academy	80,884	297,294	378,178		S

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Highfield Littleport Academy	57,322	182,280	239,602		S
Highlees Primary School	28,676	130,831	159,507		S
Hills Road Sixth Form College	195,379	704,252	899,631		S
Hinchingbrooke School	135,427	407,331	542,758		S
Histon and Imp Brook Prim School	26,435	98,352	124,787		S
Histon and Imp Park Prim School	17,904	68,095	85,999		S
Histon and Impington Parish Council	5,566	18,951	24,517		S
Histon Early Years Centre (previously known as Histon Nursery School)	27,526	105,764	133,290		S*
Holme Church of England Primary Academy	8,514	35,864	44,378		S
Holywell CE(C)School (CCC)	11,742	46,505	58,247		S*
Homerton College	226,245	625,454	851,699		Ad
Homerton Early Years Centre (Nurse School) (CCC)	20,275	78,299	98,574		S*
Houghton Primary School (CCC)	18,225	70,792	89,017		S*
Huntingdon Nurse School (CCC)	24,093	90,254	114,347		S*
Huntingdon Primary School (CCC)	44,364	172,486	216,850		S*
Huntingdon Town Council	71,817	223,556	295,373		S
Huntingdonshire District Council	1,186,062	4,723,034	5,909,096		S
Impington Village College	162,083	447,165	609,248		S
Industrial Site Maintenance Ltd	2,444	13,233	15,677		Ad
Inspire Education Group	553,463	1,967,550	2,521,013		S
Isle of Ely Academy	26,107	84,465	110,572		S
Isleham Primary School (CCC)	13,672	52,851	66,523		S*
Jeavons Wood Primary Academy	35,436	118,773	154,209		S
Kelsey Kerridge S H	13,151	95,076	108,227		Ad
Ken Stimpson Community School (PCC)	77,039	303,180	380,219		S*
Kennett Community School (Academy)	7,325	28,043	35,368		S

# Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Kettlefields Primary (CCC)	6,781	26,364	33,145		S*
Kimbolton Primary Academy	7,927	26,765	34,692		S
Kimbolton School (Independent School)	29,911	176,594	206,505		Ad
Kinderley Primary School (CCC)	8,291	32,724	41,015		S*
Kings Hedges Primary (CCC)	45,578	168,678	214,256		S*
Kingsfield Primary School Academy	28,840	95,880	124,720		S
Lantern CP School Academy	27,722	101,641	129,363		S
Leighton Primary School	41,575	166,111	207,686		S
Leverington Primary Academy	20,209	64,364	84,573		S
Lime Academy Abbotsmede	36,382	149,928	186,310		S
Lime Academy Orton	77,349	347,856	425,205		S
Lime Academy Parnwell	28,742	112,318	141,060		S
Lime Academy Watergall	34,636	124,855	159,491		S
Linton Heights Junior Academy	15,388	52,562	67,950		S
Linton Infants School (CCC)	18,286	71,988	90,274		S*
Linton Parish Council	3,058	11,463	14,521		S
Linton VC Academy	47,192	152,666	199,858		S
Lionel Walden School (CCC)	24,416	95,031	119,447		S*
Little Downham Parish Council	1,736	5,908	7,644		S
Little Paxton Parish Council	4,025	13,420	17,445		S
Little Paxton School (CCC)	26,876	104,868	131,744		S*
Little Thetford Primary (CCC)	9,553	37,086	46,639		S*
Littleport & East Cambridgeshire Academy	36,448	113,974	150,422		S
Littleport and Downham I D B	8,329	27,551	35,880		S

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Littleport CP School (CCC)	41,359	161,134	202,493		S*
Long Road Sixth Form College	115,095	386,195	501,290		S
Longsands Academy	75,981	236,120	312,101		S
Lunchtime Company (CPET)	2,634	12,447	15,081		Ad
Lunchtime Company (Ely St Johns)	2,777	26,578	29,355		Ad
Lunchtime Company (Fordham)	2,660	18,619	21,279		Ad
Lunchtime Company (Great Wilbraham)	1,297	9,079	10,376		Ad
Lunchtime Company (Isleham Pri)	961	6,728	7,689	Y	Ad
Lunchtime Company (Teversham)	200	1,402	1,602	Y	Ad
Lunchtime Company Ltd (Grove Primary)	551	2,204	2,755		Ad
Malco Services (Newton/Homerton)	267	1,069	1,336	Y	Ad
Manea Primary School (CCC)	26,252	102,237	128,489		S*
Manor Drive Prim Academy	4,214	18,316	22,530		S
Manor Drive Sec Academy	8,235	35,990	44,225		S
Marleigh Primary Academy	4,913	19,038	23,951		S
Martin Bacon Academy	29,581	98,213	127,794		S
Mayfield Primary School (CCC)	31,566	122,800	154,366		S*
Meadow Primary School	12,168	40,805	52,973		S
Meadowgate Academy	76,983	298,721	375,704		S
Mears Ltd	45,970	-	45,970		Ad
Mears Ltd (SCDC)	9,192	-	9,192		Ad
Medeshamsted Academy	33,554	99,458	133,012		S
Melbourn Primary School (CCC)	31,536	121,950	153,486		S*
Melbourn VC Academy	53,578	176,462	230,040		S

# Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Meldreth Primary School (CCC)	20,839	82,317	103,156		S*
Mepal & Wicham CofE Primary Academy	8,607	30,017	38,624		S
Meridian School (CCC)	12,806	51,064	63,870		S*
Middle Fen and Mere I D B	24,791	109,044	133,835		S
Middle Level Commissioners	63,620	184,829	248,449		S
Middlefield CP School Academy	13,741	47,116	60,857		S
Milestone Infrastructure Ltd (M Group Services)	14,004	37,538	51,542		Ad
Millfield Primary School	30,018	115,932	145,950		S
Milton Primary Academy	14,965	60,759	75,724		S
Milton Road Primary Sch (CCC)	25,433	97,340	122,773		S*
Miquill (Bewick Bridge CP Sch)	120	481	601	Y	Ad
Mitie PFI Limited	1,078	979	99		Ad
Monkfield Park School (CCC)	23,835	82,124	105,959		S*
Morley Memorial School (CCC)	32,507	123,756	156,263		S*
Mountain Healthcare Ltd	641	2,427	3,068		Ad
Multi-Active Holiday Courses LTD	249	864	1,113	Y	Ad
Murrow Primary School Academy	12,884	40,176	53,060		S
Neale Wade Academy	96,948	398,204	495,152		S
Nene Gate School	3,968	15,750	19,718		S
Nene Park Academy	55,124	169,296	224,420		S
New Road Primary & Nursery School	22,776	81,979	104,755		S
Newark Hill Primary Academy	23,195	108,405	131,600		S
Newborough & Borough Fen Parish Council	989	3,865	4,854		S
Newborough Primary (PCC)	15,458	65,389	80,847		S*

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Newnham Croft Primary (CCC)	15,996	62,415	78,411		S*
Nightingale Cleaning Limited - CMAT Schools	13,380	122,154	135,534		Ad
Nightingale Cleaning Limited - CPET Schools	723	2,892	3,615		Ad
North Cambridge Academy	33,255	102,214	135,469		S
North Level IDB	45,963	138,227	184,190		S
Northstowe Secondary College	25,855	98,761	124,616		S
Norwood Primary School (PCC)	17,385	70,286	87,671		S*
NPS Peterborough Ltd	2,143	-	2,143	Y	Ad
Oakington CofE Primary School Academy	5,708	35,378	41,086		S
Offord Primary School	7,387	30,274	37,661		S
Old Fletton Primary School (PCC)	36,448	150,846	187,294		S*
Olive AP Academy - Cambridge	10,901	39,209	50,110		S
Olive AP Academy - Nene Valley	11,432	25,527	36,959		S
Orchard Park Comm School (CCC)	14,076	54,177	68,253		S*
Orchards CoE Primary Academy	34,169	137,346	171,515		S
Ormiston Bushfield Academy	82,953	246,558	329,511		S
Ormiston Meadows Academy	24,768	109,904	134,672		S
Orton Waterville Parish Council	888	4,114	5,002		S
Over Primary School (CCC)	15,869	62,570	78,439		S*
OWN Trust	110,529	405,276	515,805		S
Oxford Archaeology	66,472	142,372	208,844		Ad
Pabulum (Morley Memorial Primary School)	1,343	5,122	6,465		Ad
Pabulum (St Bede's Inter-Church School)	1,490	6,832	8,322		Ad
Pabulum Ltd (Hardwick & Cambourne Community Primary School)	1,470	5,686	7,156		Ad

# Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Park Lane Primary & Nursey School	38,035	143,689	181,724		S
Park Street CE (A) Primary (CCC)	10,311	40,165	50,476		S*
Paston Ridings Primary (PCC)	43,675	180,336	224,011		S*
Pathfinder CofE Primary School	30,470	134,958	165,428		S
Pathfinder Legal Services Ltd (CCC)	157,312	490,608	647,920		S
Peakirk Cum Glinton Primary School (PCC)	19,998	84,591	104,589		S*
Peckover Primary School	39,941	163,489	203,430		S
Pendragon CP School (CCC)	27,375	108,261	135,636		S*
Peterborough City Council	2,899,387	9,394,294	12,293,681		S
Peterborough Investment Partnership LLP	743	1,305	2,048	Y	Ad
Peterborough Keys Academies Trust (comprising of Ravensthorpe Primary, Thorpe Primary, Jack Hunt, Longthorpe Primary, Middleton Primary)	282,118	1,029,049	1,311,167		S
Peterborough Ltd t/a Aragon Direct Services	153,975	428,094	582,069		Ad
Peterborough Regional College	-	1,791	1,791	Y	S
Petersfield Primary School (CCC)	7,139	28,327	35,466		S*
Priory Junior School (CCC)	17,946	71,542	89,488		S*
Priory Park Infants School (CCC)	27,138	107,540	134,678		S*
Queen Edith School (CCC)	35,190	135,899	171,089		S*
Queen Emma Primary School (CCC)	37,691	147,749	185,440		S*
Queen Katharine Academy (Previously known as The Voyager Academy)	91,963	315,076	407,039		S
Queens Drive Infant School	26,851	109,578	136,429		S*
Rackham CE School (CCC)	25,610	102,525	128,135		S*

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Radis (Ditchburn Place)	18,066	49,472	67,538		Ad
Radis Community Care	10,482	-	10,482		Ad
Ramnoth Junior School	27,196	95,270	122,466		S
Ramsey Junior School	15,483	63,332	78,815		S
Ramsey Spinning Infant School	13,495	59,618	73,113		S
Richard Barnes Academy	43,760	175,759	219,519		S
Ridgefield Junior (CCC)	21,459	85,214	106,673		S*
Riverside Meadows Academy	20,995	72,734	93,729		S
Robert Arkenstall Primary (CCC)	21,305	83,286	104,591		S*
Round House C. P. School	29,038	91,642	120,680		S
Sacred Heart Catholic Primary School	14,842	65,011	79,853		S
Samuel Pepys School (CCC)	54,512	209,704	264,216		S*
Sanctuary Group	35,109	682,889	717,998		Ad
Sawston Parish Council	8,303	28,666	36,969		S
Sawston VC Academy	79,026	236,405	315,431		S
Sawtry Infants School (CCC)	16,375	64,826	81,201		S*
Sawtry Junior Academy	11,025	46,258	57,283		S
Sawtry Parish Council	3,604	12,900	16,504		S
Sawtry Village Academy	39,125	130,362	169,487		S
Serco Limited (PCC)	161,613	88,785	250,398		Ad
ServiceMaster Ltd (Kingsfield Primary School)	1,088	3,671	4,759		Ad
Shade Primary School Academy	22,240	69,683	91,923		S
Shirley Community Primary School and Pre-School (CCC)	38,295	145,426	183,721		S*
Sir Harry Smith Community College	74,323	307,918	382,241		S

# Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Soham Town Council	5,812	21,182	26,994		S
Soham VC Academy	94,554	288,584	383,138		S
Soke Education Trust	109,068	454,191	563,259		S
Somersham Parish Council	2,439	10,204	12,643		S
Somersham Primary School	20,263	88,817	109,080		S
South Cambridgeshire District Council	1,437,842	5,231,551	6,669,393		S
Southfields Primary School (PCC) (Was Southfields Junior School)	53,689	219,766	273,455		S*
Spaldwick Primary School	9,187	37,662	46,849		S
Spinney Primary School (CCC)	13,822	54,584	68,406		S*
Spring Common Academy	88,021	350,962	438,983		S
Spring Meadow Infants (CCC)	25,826	124,033	149,859		S*
Spurgeons	-	-	109,000	-	Y Ad
St Albans RC Primary (CCC)	14,340	57,109	71,449		S*
St Andrews CofE Academy (Soham, Ely)	31,694	136,011	167,705		S
St Anne's CE Primary (CCC)	17,505	68,490	85,995		S*
St Augustines CE Junior School (PCC)	18,072	74,587	92,659		S*
St Bedes Inter Church School Academy	44,475	215,621	260,096		S
St Botolphs CE Primary Academy	25,871	96,132	122,003		S
St Helen's Primary Shcool (CCC)	11,337	44,620	55,957		S*
St Ives Town Council	19,192	67,889	87,081		S
St Ivo School Academy	85,107	270,405	355,512		S
St John Fisher	64,730	253,433	318,163		S*
St John Henry Newman Catholic Primary School	2,161	8,235	10,396		S
St John's Academy (Stanground)	13,126	56,970	70,096		S

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
St John's CoE Primary Academy (Huntingdon)	29,763	125,609	155,372		S
St Laurence Catholic Primary School	15,054	56,393	71,447		S
St Luke's C of E Primary School Academy	6,029	37,720	43,749		S
St Mary's CofE Junior Ely	23,994	97,984	121,978		S
St Marys St Neots Academy	9,342	35,057	44,399		S
St Matthew's Primary Sch (CCC)	47,262	187,822	235,084		S*
St Michaels CE Prim Sch (PCC)	46,383	191,856	238,239		S*
St Neots Town Council	46,561	154,826	201,387		S
St Pauls CE Primary (CCC)	6,629	25,280	31,909		S*
St Peters CofE Academy (Wisbech)	22,261	94,301	116,562		S
St Peter's School HD Academy	101,137	314,079	415,216		S
St Philips C OF E Primary (CCC)	23,316	90,019	113,335		S*
St Thomas More Catholic Primary School	32,962	148,092	181,054		S
Stanground Academy	67,917	296,503	364,420		S
Stapleford Primary Academy	15,403	54,937	70,340		S
Steeple Morden C OF E (CCC)	12,088	48,352	60,440		S*
Stephen Perse Foundation	6,268	17,698	23,966		Ad
Stilton Church of England Primary School	11,403	48,574	59,977		S
Stretham Primary School (CCC)	13,167	52,506	65,673		S*
Stukeley Meadows School (CCC)	32,613	127,081	159,694		S*
Sutton CE Primary School (CCC)	17,649	69,120	86,769		S*
Sutton Parish Council	2,398	7,932	10,330		S
Swaffham Bulbeck CE Prim Academy	6,978	27,685	34,663		S
Swaffham Internal Drainage Board	2,212	7,315	9,527		S



# Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Swaffham Prior CE Prim Academy	11,335	24,814	36,149		S
Swavesey Parish Council	1,531	5,676	7,207		S
Swavesey Primary School (CCC)	31,006	117,712	148,718		S*
Swavesey VC Academy	71,615	223,367	294,982		S
Taylor Shaw (CMAT)	9,819	61,943	71,762		Ad
Taylor Shaw (Elliott Foundation AT)	3,662	21,536	25,198	Y	Ad
Taylor Shaw Ltd (Abbey College Academy)	1,165	3,934	5,099		Ad
Teversham C of E Primary (CCC)	19,727	78,056	97,783		S*
The Beeches Primary School (PCC)	34,529	140,736	175,265		S*
The Cavendish School	24,099	102,093	126,192		S
The Centre School Academy	4,824	12,954	17,778		S
The Edmund Trust	8	300,049	300,057	Y	Ad
The Galfrid School	21,392	91,355	112,747		S
The Grove Primary School (CCC)	28,021	110,780	138,801		S*
The Harbour School	33,271	126,208	159,479		S
The Icknield Primary School	12,011	48,153	60,164		S
The King's (Cathedral) School	81,430	253,445	334,875		S
The Nene Infant & Nursery School	33,935	112,276	146,211		S
The Netherhall School	57,930	222,152	280,082		S
The Newton Community Primary School (CCC)	5,943	23,780	29,723		S*
The Weatheralls Primary School	32,044	135,636	167,680		S
Thomas Clarkson Academy	75,362	295,923	371,285		S
Thomas Deacon Academy	244,768	709,459	954,227		S
Thomas Eaton Primary Academy	14,848	64,836	79,684		S

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Thongsley Fields Primary and Nursery School	23,834	90,601	114,435		S
Thorndown Community Primary (CCC)	46,885	184,404	231,289		S*
Thorney Parish Council	1,081	3,929	5,010		S
Thriplow CE Primary Academy	5,105	21,989	27,094		S
TNS Catering (Linton Cluster)	1,172	4,686	5,858		Ad
TNS Catering (WASP Cluster 2)	646	2,582	3,228	Y	Ad
Townley Primary School (CCC)	14,194	55,975	70,169		S*
Trumpington Meadows Primary School	18,513	71,057	89,570		S*
Trumpington Park Primary Academy	22,766	75,149	97,915		S
TSG Building Services Ltd	5,109	-	5,109		Ad
United Learning (previously CAP)	136,460	387,666	524,126		S
University of Cambridge Primary School	37,949	116,901	154,850		S
Upwood Primary Academy	11,621	50,792	62,413		S
Vero HR Ltd	454	1,648	2,102	Y	Ad
VHS Cleaning (Linton VC)	819	2,834	3,653		Ad
VHS Cleaning (Netherhall)	304	1,269	1,573		Ad
VHS Cleaning (Stapleford Community Primary School)	266	952	1,218		Ad
VHS Cleaning Services (Bassingbourn VC and Sawston VC)	644	2,205	2,849		Ad
Vine Inter Church School (CCC)	34,538	131,086	165,624		S*
VISIT Cambridge and Beyond	-	16,972	16,972	Y	Ad
Vivacity Culture and Leisure	-	19,236	19,236	Y	Ad
Warboys Primary Academy	25,658	119,504	145,162		S
Waterbeach CP School (CCC)	30,367	117,898	148,265		S*
Waterbeach Level Internal Drainage Board	2,338	7,735	10,073		S



# Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Waterbeach Parish Council	1,865	6,167	8,032		S
Welbourne Primary Academy	26,406	114,850	141,256		S
Welland Primary School	35,684	126,142	161,826		S
West Town Primary Academy	20,689	84,990	105,679		S
Westfield Junior School (CCC)	24,121	95,756	119,877		S*
Westwood Primary School	75,862	260,316	336,178		S
Wheatfields Primary School (CCC)	28,212	109,554	137,766		S*
Whittlesey Internal Drainage Board	2,221	7,347	9,568		S
Whittlesey Town Council	1,797	5,942	7,739		S
Wilburton CE Primary (CCC)	12,316	47,779	60,095		S*
William De Yaxley CofE Academy	10,261	40,874	51,135		S
William Law CE Primary School	47,343	187,824	235,167		S
William Westley CE (CCC)	13,655	53,397	67,052		S*
Willingham Primary School (CCC)	28,863	111,023	139,886		S*
Wimblington Parish Council	788	3,079	3,867		S
Winhills Primary School Academy	47,825	149,688	197,513		S
Wintringham Primary Academy	9,418	35,282	44,700		S
Wisbech and Fenland Museum	2,228	15,556	17,784		Ad
Wisbech Grammar School	-	55,225	55,225	Y	Ad
Wisbech St Marys CE Primary Academy	17,810	70,187	87,997		S
Wisbech Town Council	5,865	20,619	26,484		S
Witcham Parish Council	375	1,464	1,839		S
Witchford Village College	49,771	152,394	202,165		S
Wyton Primary School (CCC)	19,119	73,171	92,290		S*
Yaxley Infants School (CCC)	16,589	66,096	82,685		S*
Yaxley Parish Council	8,920	30,346	39,266		S
YTKO Limited	2,867	7,715	10,582		Ad
<b>Grand Total</b>	<b>33,124,469</b>	<b>115,790,530</b>	<b>148,914,999</b>		

# Investment Policy and Performance

## Introduction

The Fund's approach to its investment arrangements is set out in its Investment Strategy Statement, (ISS) as required by Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 ("the Regulations") that requires the Fund to create and maintain an approach to investments that includes, amongst other things:

- a requirement to invest fund money in a wide variety of investments;
- the Fund's assessment of the suitability of different types of investments;
- the Fund's approach to risk, including the ways in which risks are assessed and managed;
- the Fund's approach to pooling investments;
- the Fund's policy on how social, environmental and corporate governance considerations are taken into account; and
- the Fund's policy on the exercise of the rights (including voting rights) attaching to investments.

The Pension Fund Committee (PFC) approves investment policies and strategy and an Investment Sub-Committee (ISC), which is supported by the Fund's Advisors, to implement these investment policies and strategy, which includes the appointment and dismissal of Investment Managers and monitoring of performance.

The Fund adopts a long-term perspective, focussing its investment strategy to generate sustainable returns on a risk adjusted basis to grow the Fund's assets to reflect its equally long-term future liabilities. The Pension Fund Committee, Local Pensions Board, Fund officers and professional advisors have worked hard to develop an enhanced responsible investment (RI) policy, which forms part of our overall investment strategy. The new RI policy sets out our approach to sustainable responsible investment and will help us manage the carbon and climate risks impacting our investments better.

The RI policy was agreed following a consultation that was open to scheme members and scheme employers. You can find a copy of the summary consultation responses and an updated investment strategy statement on our [key documents page](#).

The revised RI policy will inevitably mean some changes to our underlying investments over time. In February 2022, the Investment Sub Committee approved decarbonisation targets to reduce the carbon emissions of listed equities by 23% by 2024 and by 57% by 2030 together with a climate action plan for 2022, 2023 and beyond.

The Fund intends decarbonising the portfolio at the same rate as the European Policy Curve (EPC) meaning the Funds decarbonisation pathway would align with the Paris Accord and achieve the ambitions target to reach net zero by 2050 or earlier.

Progress against these targets will be reviewed regularly via a climate dashboard setting out key carbon metrics which will be measured and tracked over time. Regular communication will be provided on how the Fund is progressing on its journey to achieve net zero.

You can find copies of the Funds climate action plan, decarbonisation pathway, and climate dashboard on the [key documents page](#).

The Fund is a member of the Local Authority Pension Fund Forum (LAPFF), which is a voluntary association of LGPS funds that seeks to protect and enhance the value of its members' shareholdings by way of shareholder engagement, by action on corporate governance issues and by seeking to promote the highest standards of corporate social responsibility at the companies in which LAPFF members invest. Through LAPFF, the Fund exercises its belief that engagement with company management to promote improvements in SRI practices is more powerful than divesting from the company's shares.

The Fund will continue to support the principles of the UK Stewardship Code (the "Stewardship Code") with plans to subscribe to the Stewardship code during 2023-24.

Information about Investment Manager voting is available at [Cambridgeshire Pension Fund Key Documents](#)

# Investment Policy and Performance (continued)

## Role of Investment Managers

Each Investment Manager relationship is governed by an Investment Management Agreement, which sets out how much they can invest, the asset class in which the Fund has employed them to invest, the expected target return and how much the Fund will pay for this service.

## Active focus

The Fund with the exception of the passive Global Equity mandate and passive index-linked bonds, favours “active” briefs to outperform agreed specific benchmarks.

## Custodian

The Fund’s Custodian is Northern Trust. The Custodian is responsible for ensuring that the Fund has good title to all investments, that all trades instructed by Investment Managers are settled on time and that all income due to the Fund is received and recorded accurately. Northern Trust also maintain the investment accounting records for the Fund.

## Asset Pooling

The Fund is working with ten like-minded LGPS funds to implement the ACCESS asset pool in response to the Government’s LGPS reform agenda. The main aim is to encourage LGPS Funds to work together to form asset pools to “pool investments to significantly reduce costs, while maintaining investment performance.” Individually, the participating funds have a strong performance history and potential for substantial benefits for a group of successful, like-minded authorities collaborating and sharing their collective expertise. Collectively as at 31st March 2023, the ACCESS Pool has significant scale with assets of £59bn (of which 59% has been pooled) serving 3,459 employers with 1.192 million members including 339,058 pensioners.

The roles and decision-making relationship between the eleven funds is informed by an Inter Authority Agreement. The ACCESS pool is governed by the ACCESS Joint Committee (AJC) comprising the Chair of the eleven constituent funds. The AJC have appointed Link Fund Solutions Ltd (Link) as operator of the pool and the LF ACCESS Authorised Contractual Scheme (ACS).

The Fund’s passive equity investments are invested with UBS Asset Management under a collaborative arrangement with fellow ACCESS funds, which has generated significant fee savings for the Fund.

On 31 March 2023, the Cambridgeshire Fund had invested £1,687.8m in sub-funds of the ACCESS Authorised Contractual Scheme and £884.7m in the UBS passive arrangement resulting in £2,572.5m of assets under pool management representing 61.0% of the Fund’s assets.

During 2023-24 the Fund expects further investment in fixed income sub-funds of the ACS when they become available. The focus for ACCESS in 2023-24 is to continue work performed in 2022-23 to develop a pooled solution for Alternative asset classes.

The ACCESS Support Unit (ASU) has been created to manage the Operator contract against specified KPIs and provide technical and secretariat support services to the AJC and Officer Working Group (OWG).

In addition to the savings in Investment Management fees through joint investments, there are other tangible benefits from pooling including a governance dividend (potential for reduced risk due to manager diversification achieved at pool level) and tax savings.

More information about the ACCESS asset pool can be found on their website: [ACCESS Pool](#). The ACCESS Annual Report can be found at Appendix A to the Annual Report.

# Investment Policy and Performance (continued)

## The Costs of Pooling

The costs of setting up the ACCESS pool and the operating costs of the pool are collected by a nominated ACCESS authority and re-charged in equal shares to the eleven ACCESS funds. Cambridgeshire's share of costs is reported within Oversight and Governance costs in Note 11 to the Statement of Accounts and comprises the following:

Operational Costs	2022-23	2015-16 to 2022-23
	£000	Cumulative £000
Strategic & Technical	30.4	192.0
Legal	19.9	131.9
Project Management	0	81.1
ACCESS Support Unit	50.7	211.2
Other	5.9	35.3
<b>Total Operational Costs</b>	<b>106.9</b>	<b>651.5</b>

## Cost Savings

The fee savings for the 2022-23 financial year resulting from the asset pooling agenda exceed £3.59m.

## Cost Transparency

The analysis below shows the investment expenses incurred during financial year 2022-23 between expenses incurred in respect of Pooled Assets held in the ACCESS Pool and those assets held outside of the pool. Direct costs include: invoiced costs and costs deducted from the value of fund, or from income generated, in accordance with the fee agreement in place with each manager and explicit transaction costs. Indirect costs include: implicit costs and third-party fees and charges. These are indicative estimates provided by Investment Managers as the reporting practices for the Cost of Transparency are still evolving.

## Cost Transparency - Continued

	Asset Pool			Non- Asset Pool			Fund Total
	Direct £000	Indirect £000	Total £000	Direct £000	Indirect £000	Total £000	£000
Investment Management Fee	7,880	20	<b>7,860</b>	7,081	3,206	<b>10,287</b>	<b>18,147</b>
Performance Fee	0	0	<b>0</b>	3,527	66	<b>3,593</b>	<b>3,593</b>
Transaction Taxes	0	0	<b>0</b>	7	-2	<b>5</b>	<b>5</b>
Broker commissions	0	528	<b>528</b>	77	-18	<b>59</b>	<b>587</b>
Other explicit costs	0	400	<b>400</b>	156	1	<b>157</b>	<b>557</b>
Implicit/indirect transaction costs	0	995	<b>995</b>	295	1,405	<b>1,700</b>	<b>2,695</b>
Administration	183	0	<b>183</b>	932	1,745	<b>2,677</b>	<b>2,860</b>
Governance and Compliance	16	0	<b>16</b>	385	326	<b>711</b>	<b>727</b>
Other	102	105	<b>207</b>	327	2,359	<b>2,686</b>	<b>2,893</b>
<b>Total</b>	<b>8,181</b>	<b>2,008</b>	<b>10,189</b>	<b>12,787</b>	<b>9,088</b>	<b>21,875</b>	<b>32,064</b>

# Investment Policy and Performance (continued)

## Investment Allocation and Performance

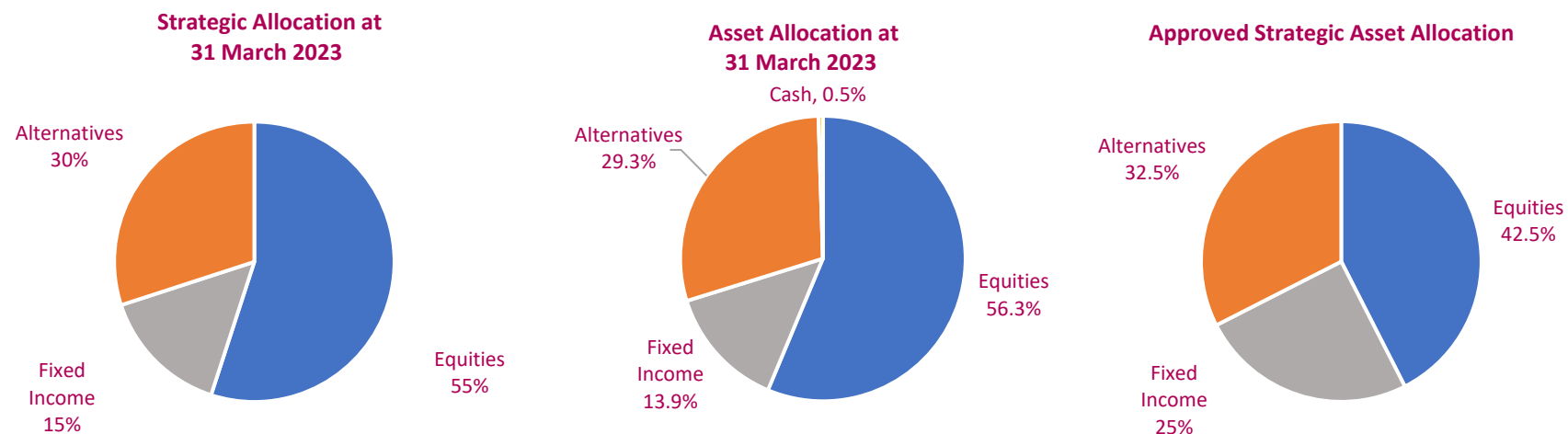
The Pension Fund Committee is responsible for approving the Strategic Asset Allocation proposed by the Investment Sub-Committee (ISC). The Pension Fund Committee performed a review of the Strategic Asset Allocation at the March 2023 meeting in conjunction with the Fund's Investment Consultants, Mercer Ltd and the independent Investment Advisor. The review assessed the appropriateness of the current strategy and any changes necessary to increase the likelihood of meeting the Fund's objectives, namely:

- To reach full funding and be in a position to pay benefits as they fall due; and
- To ensure contributions remain affordable to employers

The recommended changes to the strategy aims to manage the risk that asset returns are below those assumed by the actuary, whereby the funding position worsens. The following changes to the strategy were approved by Pension Fund Committee in March 2023:

- Reduce the equity allocation by 12.5%, maintaining the passive equity allocation at 20% and reduce active managers;
- Increase fixed income and alternative allocations by 10% and 2.5% respectively to provide greater exposure to inflation linked, cash flow generative assets while protecting the strong funding position; and
- Consider sustainable and impact opportunities across an expanded private markets portfolio – aligned with “levelling up” guidance.

The charts below show the Strategic Asset Allocation at the end of the financial year, the strategic asset allocation following Pension Fund Committee approval and the actual allocation of assets at 31 March 2023.



# Investment Policy and Performance (continued)

The value of the investments held by each of the Fund's Investment Managers on 31 March 2022 and 31 March 2023 is shown in the following table.

## Value of investments at the balance sheet date

Manager	31 March 2022		31 March 2023	
	£m	% of Total	£m	% of Total
UBS Passive UK Equity	91.3	2.0	81.5	1.9
Link Fund Solutions – ACCESS Global Equity (JO Hambro)	539.4	12.6	471.0	11.1
Link Fund Solutions – ACCESS Global Stock (Dodge and Cox)	562.5	13.1	575.4	13.7
Link Fund Solutions – ACCESS Global Equity (Longview)	414.8	9.7	438.6	10.4
Schroders	8.8	0.2	2.4	0.1
UBS Passive Global Equity	868.4	20.3	803.2	19.1
BlueBay Asset Management	197.8	4.6	186.2	4.4
Link Fund Solutions – M&G Alpha Opportunities	193.0	4.5	202.8	4.8
Schroders	210.8	4.9	197.3	4.7
Schroders Property	300.8	7.0	270.2	6.4
Adams Street	178.5	4.2	200.5	4.8
Allianz	19.2	0.4	14.1	0.3
Ares debt	41.7	1.0	43.1	1.0
Cambridge and Counties Bank	85.0	2.0	69.7	1.7
Cambridge Building Society	15.0	0.3	15.0	0.4
Foresight	28.4	0.7	31.1	0.7
Equitix	20.6	0.5	43.1	1.0
HarbourVest	159.3	3.7	191.9	4.6
IFM Infrastructure	76.1	1.8	88.1	2.1
JP Morgan	59.6	1.4	75.4	1.8
M&G	138.5	3.2	140.1	3.3
Partners Group	50.0	1.2	41.1	1.0
UBS Infrastructure	8.9	0.2	9.1	0.2
Cash	19.3	0.5	20.4	0.5
<b>TOTAL</b>	<b>4,287.7</b>	<b>100.0</b>	<b>4,211.30</b>	<b>100.0</b>

# Investment Policy and Performance (continued)

## Total Fund Performance

The total investment return for the Fund over the financial year was -2.8% net of fees compared with a weighted benchmark return of -2.5%. In the previous year the total investment return was 9.9% compared with a weighted benchmark of 11%. The Fund's total investment return was 11.1% p.a over the three years to 31 March 2023, 6.8% p.a over the five years to 31 March 2023, and 7.7% p.a over the ten years to 31 March 2023.

## Performance of Managers

The ISC continue to monitor the Investment Managers' performance against their benchmark at their quarterly meetings. All managers are measured against market-based performance benchmarks with bespoke outperformance targets set for active managers which are expected to be met over a three to five year period. Net of fees performance of each manager compared to benchmark over one, three and ten years is shown in the table below.

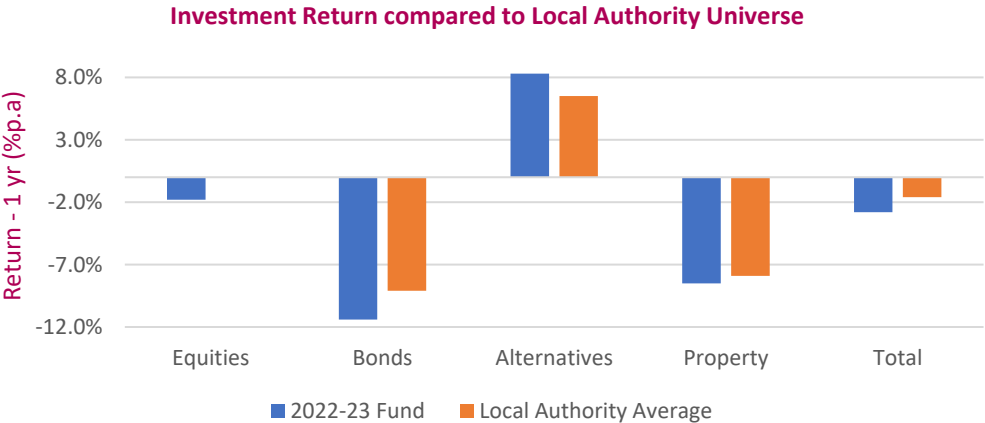
Asset Class /Manager	1 year (% p.a)			3 year (% p.a)			10 year (% p.a)		
	Return	Benchmark	Variance	Return	Benchmark	Variance	Return	Benchmark	Variance
UBS Passive	-0.9	-1.1	0.2	15.7	15.5	0.2	n/a	n/a	n/a
J O Hambro	-12.7	-1.4	-11.3	11.6	15.5	-3.9	n/a	n/a	n/a
Dodge & Cox	2.4	1.4	1.0	22.1	16.2	5.9	n/a	n/a	n/a
Longview	5.8	-1.4	7.2	18.1	15.5	2.6	n/a	n/a	n/a
Schroders	-28.6	-28.6	0.0	-9.8	-9.8	0.0	n/a	n/a	n/a
BlueBay Asset Management	-5.9	-1.7	-4.2	n/a	n/a	n/a	n/a	n/a	n/a
M&G Alpha Opportunities	1.9	-1.7	3.6	n/a	n/a	n/a	n/a	n/a	n/a
Adams Street	-3.0	8.9	-11.9	26.9	8.9	18.0	20.6	12.8	7.8
Allianz	-28.0	4.0	-32	-9.4	4.0	-13.4	n/a	n/a	n/a
Ares debt	14.4	10.0	4.4	7.7	10.0	-2.3	n/a	n/a	n/a
Equitix	2.7	10.0	-7.3	-0.3	10.0	-10.3	11.6	10.0	1.6
HarbourVest	27.6	8.9	18.7	35.5	8.9	26.6	19.9	12.8	7.1
Foresight	42.3	8.9	33.4	n/a	n/a	n/a	n/a	n/a	n/a
IFM Infrastructure	19.7	10.0	9.7	12.0	10.0	2.0	n/a	n/a	n/a
JP Morgan	17.1	10.0	7.1	n/a	n/a	n/a	n/a	n/a	n/a
M&G Residential Property	0.9	6.0	-5.1	1.8	6.0	-4.2	n/a	n/a	n/a
M&G Secured Loans	2.5	6.4	-3.9	6.7	5.0	1.7	3.7	4.8	-1.1
M&G Shared Ownership	1.6	6.0	-4.4	n/a	n/a	n/a	n/a	n/a	n/a
Partners Group	22.4	10.0	12.4	15.8	10.0	5.8	12.3	10.0	2.3
UBS Infrastructure	12.5	10.0	2.5	-8.0	10.0	-18.0	0.8	10.0	-9.2
Schroders Property	-10.7	-14.5	3.8	3.0	2.6	0.4	6.1	6.4	-0.3

# Investment Policy and Performance (continued)

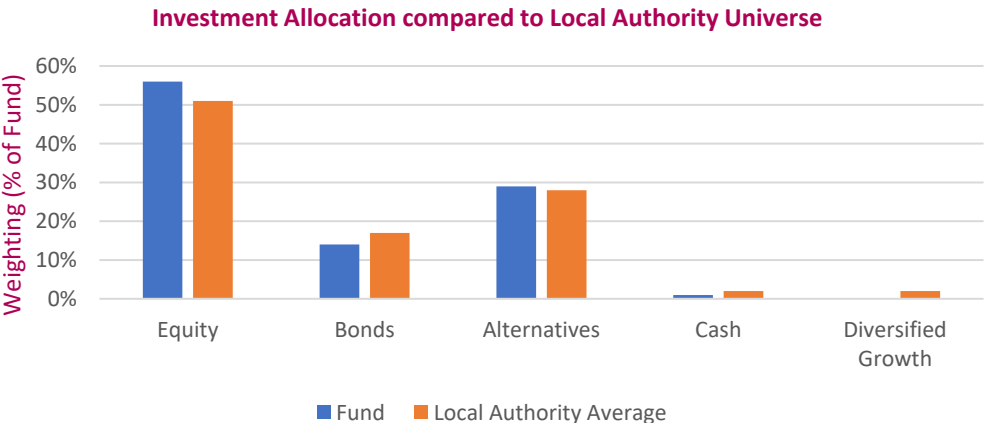
### Performance in Comparison with Local Authority Universe

The Local Authority Universe is a national scheme consisting of 63 pension funds collated by PIRC Ltd that provides benchmarking of local authority pension funds investment performance.

In 2022-23 the Fund’s performance of -2.8% net of fees over the financial year was ranked 43<sup>rd</sup> percentile out of the 63 Funds participating in the Universe.



The Fund’s current strategy has a slightly higher allocation to Equities and Alternatives and a lower allocation to Bonds when compared to the Local Authority Universe.





# Investment Policy and Performance (continued)

## Climate Change Report

### Executive summary

The Fund recognises the systemic risk associated with climate change as well as the County Council's targets in this regard and the views and aspirations of other scheme employers and scheme members.

In order to manage this systemic risk and to align with its support of the Paris Agreement and a "just transition", **the Fund currently expects that its investment portfolio will be net carbon neutral by 2050, in line with UK Government's targets.**

The Fund is working towards producing a climate change reports in future which comply with Task Force on Climate-Related Financial Disclosures ("TCFD") reporting recommendations, which are expected to become mandatory for LGPS Funds in the coming years. This report provides a summary of the Fund's position as it relates to climate change, assessed across the four pillars under the TCFD Framework:

- **Governance:** How the Pension Fund Committee ("Committee") maintains oversight and incorporates climate change into its decision making;
- **Strategy:** How potential future climate warming scenarios could impact the Fund;
- **Risk Management:** How climate-related risk is incorporated in the Fund's broader risk management processes; and
- **Metrics and Targets:** How the Committee measures, and monitors progress against different climate related indicators known as metrics and targets.

### Governance

The Administering Authority has delegated to the Committee the power to determine and maintain the Fund's strategies, policies and

procedures. Implementation of the strategy and the monitoring of performance is delegated to the Investment Sub-Committee ("ISC"), for which the membership is drawn from the Committee.

Research into how climate-related risks and opportunities impact financial markets is constantly evolving and expanding. The Committee or its ISC receives training on a regular basis to keep up-to-date with developments and will allocate time on meeting agendas to cover items such as developing and meeting the Fund's climate action plan, climate-change scenario analysis, reporting of metrics and monitoring of progress against agreed targets.

The Committee acknowledges that the reporting of climate-related risk is relatively new and the collective experience of the Committee and ISC will grow over time.

Climate change will form an explicit agenda item at least annually for the Committee or ISC when the Fund's climate action plan and / or when the Fund's annual climate change report is updated. It will also be covered as part of other agenda items as part of a wider discussion of funding or investment strategy, or as part of the investment manager appointment and review discussions.

### Strategy

The Fund undertook climate scenario analysis on its investment strategy in 2021. Given the uncertainty around the timing and impact of climate-related transition and physical risks, the ISC considered three climate scenarios or 'warming pathways' i.e. the expected degrees of warming of the atmosphere by the end of the century relative to pre-industrial levels, to help test the resiliency of the Fund's investment strategies at the strategic level.

# Investment Policy and Performance (continued)

Whilst a lower warming pathway (**2°C scenario**) is one in which governments, businesses and society should aim for as a minimum, there is a possibility that a failure to reduce GHG emissions quickly enough could set off irreversible feedback loops that significantly warms the planet (as modelled by **3°C and 4°C scenarios**).

**The Fund will be impacted by climate change, regardless of the scenario that unfolds.**

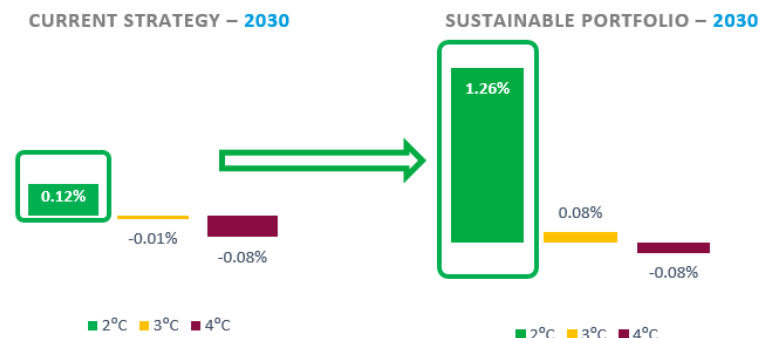
## Resilience of the Fund's investment strategy

The table below shows how a 2°C scenario leads to enhanced projected returns for the Fund's investment strategy versus 3°C or 4°C scenarios, with the greatest Impact over the period to 2030.

Warming pathway scenario	Year	Climate change impact on return (% per year)
2°C	2030	0.12%
2°C	2050	-0.06%
2°C	2100	-0.08%
3°C	2030	-0.01%
3°C	2050	-0.06%
3°C	2100	-0.10%
4°C	2030	-0.08%
4°C	2050	-0.14%
4°C	2100	-0.18%

## Transition opportunities emerge from a 2°C scenario

The graphic to the right illustrates the benefits of investing sustainably (i.e. in a portfolio broadly aligned with the Fund's investment strategy but where asset class exposures are mapped to sustainable equivalents).



Climate change impact on return (% p.a.)

As at 30 June 2021. Source: Mercer/Investment Managers

Under the 2°C scenario, to 2030, the Sustainable Portfolio is expected to benefit by up to +16.2% on a cumulative basis, compared with the Fund's current investment strategy.

## Key findings of the analysis

Investing for a 2°C scenario is both an imperative and an opportunity the Fund should address.

- An imperative, since, for nearly all asset classes and timeframes, a 2°C scenario leads to enhanced projected returns versus 3°C or 4°C and a better investment outcome.
- An opportunity, since, although incumbents can suffer losses in a 2°C scenario, there are many notable investment opportunities enabled in a low-carbon transition, including sustainability themed investments in listed and private equities to infrastructure and fixed income.

Climate scenario analysis is an ever evolving space and, as such, the scenarios modelled and reported may be subject to review in future periods. It is important to note that the modelling may understate the true level of risk due to the uncertainty around the future economic impacts of climate change.

# Investment Policy and Performance (continued)

## Risk Management

This section summarises the primary climate-related risk management processes and activities carried out for the Fund. These assist with understanding the materiality of climate-related risks, both in absolute terms and relative to other risks that the Fund is exposed to.

Governance	<p>The Fund recognises the systemic risk associated with climate change and the views and aspirations of other scheme employers and scheme members.</p> <p>The Fund has acknowledged the risk to the Fund of climate change in its Risk Register: “As long-term investors, the Fund believes climate risk has the potential to significantly alter the value of the Fund’s investments.”</p> <p>The Officers maintain a Climate Action Plan which is reviewed and updated on a regular basis. This document forms part of the ISC’s wider business plan and summarises the progress, actions and outcomes of scheduled climate-related investment projects and tasks.</p>
Strategy	<p>The Fund’s advisers will take climate-related risks and opportunities into account as part of the wider strategic investment advice provided to the Committee and ISC. This includes highlighting the expected change in climate-risk exposure through proposed asset allocation changes, both from the top-down level (via climate scenario analysis) and bottom-up (via climate-related metrics). Climate scenario analysis for the investments of the Fund will be reviewed periodically.</p>

Reporting	<p>The ISC will receive an annual climate dashboard providing an update on climate-related metrics and progress against targets in respect of the assets held in the Fund. The ISC may use the information to engage with the Fund’s investment managers.</p> <p>The ISC receives a biannual stewardship monitoring report which summarises how the investment managers choose to vote and engage on climate-related issues (among other key engagement priorities).</p>
Manager selection and retention	<p>The ISC, with advice from its advisers, will consider an investment manager’s firm-wide and strategy-specific approach to managing climate-related risks and opportunities when either appointing a new manager, in the ongoing review of a manager’s appointment, or as a factor when considering the termination of a manager’s appointment.</p>

### What are the climate-related risks and opportunities?

The Fund has considered two types of climate-related risks and opportunities in its climate scenario analysis:

#### 1. Transition risks and opportunities

This covers the potential financial and economic risks and opportunities from the transition to a low-carbon economy (i.e. one that has a low or no reliance on fossil fuels), in areas such as:

- Policy and legislation
- Market
- Technology
- Reputation

# Investment Policy and Performance (continued)

Risks include the possibility of future restrictions, or increased costs, associated with high carbon activities and products.

There are also opportunities, which may come from the development of low-carbon technologies. In order to make a meaningful impact on reducing the extent of global warming, most transition activities need to take place over the next decade and certainly in the first half of this century.

## 2. Physical risks and opportunities

The higher the future level of global warming, the greater physical risks will be in frequency and magnitude. Physical risks cover:

- Physical damage (storms; wildfires; droughts; floods)
- Resource scarcity (water; food; materials; biodiversity loss)

Physical risks are expected to be felt more as the century progresses though the extent of the risks is highly dependent on whether global net zero greenhouse gas emissions are achieved by 2050.

There are investment opportunities, for example, in newly constructed infrastructure and real estate that are designed to be resilient to the physical impacts of climate change, as well as being constructed and operated in a way that have low or no net carbon emissions. There are also opportunities for investment in those companies or industries that focus on energy conservation and resource efficiency.

## Metrics and targets

### Metrics

The primary metrics that are used by the Fund to measure climate-related impact are:

- Absolute emissions. This is the total emissions of seven major GHGs associated with the investments held (carbon dioxide,

methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulphur hexafluoride and nitrogen trifluoride).

- Carbon footprint. This is the total emissions per million pounds invested.
- Weighted average carbon intensity (WACI). This is the total emissions per million pounds of sales

### Limitations of emissions data

The Fund is aware of issues around data quality, in particular carbon data for many private companies, governments and asset classes is not currently sufficiently robust to set targets against. The Fund has therefore focused on the listed equity portfolio initially, given data quality is more robust within this asset class and it comprises a majority of the Fund's strategic investment portfolio. The Fund will seek to include other asset classes in its carbon reporting as this data quality improves over time.

The Fund is also aware that Scope 3 emissions data, i.e. covering indirect emissions from the value chain such as those embedded in material inputs or freight, is an area that needs development and as such it is not included in the Fund's target-setting process. However, the Fund will continue to collect this data to inform its engagement with investment managers.

### Targets

The Fund's overall climate-related objective is to align its portfolio with a 'pursue efforts towards 1.5°C' objective - i.e. net zero by 2050, with an aspiration of achieving a net zero position by 2045.

Targets were set on an absolute emissions basis in 2021, but also monitored on an intensity basis (using two intensity metrics: carbon footprint and weighted average carbon intensity (WACI)). However, the Fund has switched to a carbon footprint metric as the base line measure for a de-carbonisation pathway as it:

# Investment Policy and Performance (continued)

- a) It is not impacted by changes in strategy, unlike absolute emissions. For example, the Fund's strategic target equity allocation was reduced as part of the investment strategy review undertaken during the Fund year which, all else equal, would lead to a reduction in the level of absolute emissions.
- b) If the Fund widens the scope of its climate reporting in future to include additional asset classes, as it intends to do, this would naturally increase absolute emissions. Carbon footprint is not impacted in the same way.

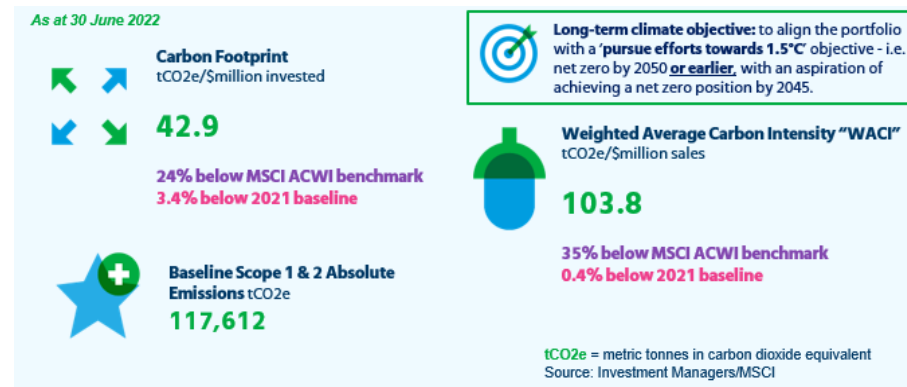
The carbon footprint metric instead normalises absolute emissions by the amount of assets invested. The Fund will continue to track both absolute emissions and WACI too as each metric provides a slightly different insight as to the nature of the companies held within portfolios.

## Carbon reporting dashboard

The Fund's metrics were initially measured as at 30 June 2021, providing a baseline for future targets, and were recalculated as at 30 June 2022 in order to monitor progress against these targets. The metrics are set out in a publicly available carbon reporting dashboard:

The 2021 and 2022 metrics are based on Scope 1 and 2 emissions data for the listed equity portfolio.

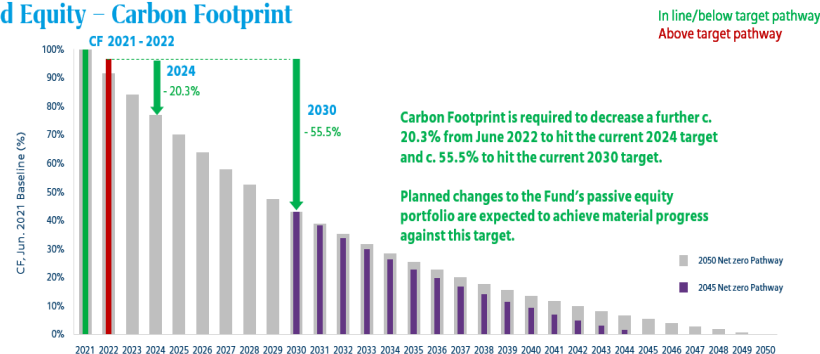
The dashboard will be updated on an annual basis.



## Progress against targets

The chart below demonstrates the Fund's progress (Green and Red bars) against the pre-defined pathway (Grey bars) required in order to achieve the Net Zero objective by 2050. The purple bars demonstrate the pathway to achieve Net Zero by 2045 for information.

## Listed Equity – Carbon Footprint



While the listed equity portfolio's Carbon Footprint in 2022 was above the pre-defined pathway, changes to the Fund's passive equity portfolio were implemented in early 2023 with the objective of improving the portfolio's climate characteristics. This will be captured in the Fund's updated metrics at 30 June 2023 and will demonstrate meaningful progress against the targets set.

# Investment Policy and Performance (continued)

## Independent Adviser's annual review – Twelve months to 31<sup>st</sup> March 2023

Sam Gervaise-Jones, CFA

May 2023

It has been quite a year! A new-born delivered into the world as I wrote last year's review would have seen in its first year three British Prime Ministers, war in Europe, escalating tensions in Asia, a former US president being indicted, meltdown in the UK Gilt markets and rampant inflation in developed markets. Interesting times indeed.

I wrote about the need to maintain resilience in the portfolio, to weather inflation, ongoing Covid and Brexit challenges, and do so while meeting commitments made to address environmental and social concerns.

Good progress has been made on implementing the Fund's Responsible Investment and net-zero policy. Unfortunately, progress has been less pronounced on private markets propositions from the ACCESS Pool but we take comfort in the 2022 valuation showing a very healthy funding position, benefiting from the knock on effect of rising interest rates reducing our liabilities, while keeping asset values broadly flat.

Here I take the opportunity to provide an investment review covering the financial year 2023/23, in addition to providing some thoughts for the future.

### Market Activity

#### Equities

Inflation was the prevailing theme in Q2 2022 as rising prices, fuelled by increasing energy costs and supply chain disruptions, dented consumer confidence. Although economic data from the corporate sector, as measured by the Purchasing Managers' Indices (PMIs), pointed towards expansion, growth figures for key regions, such as the US and Eurozone, showed signs of slowdown. Market losses were widespread.

In Developed Equity markets, the MSCI World Index returned -16.2% in USD terms. The most economically sensitive parts of the market, such as consumer discretionary (-23.8%) and information technology (-21.8%), fell into bear market territory. In contrast, traditionally defensive sectors, such as consumer staples and healthcare, fared relatively better, dropping by -6.4% and -7.2% respectively.

In a bid to cool inflation, the US Federal Reserve and the Bank of England continued to raise interest rates. The European Central Bank also expressed a similarly hawkish message, signalling the likelihood (now a fact) of an interest rate rise in Q2—the first since 2011. In turn, tighter Fed monetary policies helped drive the US dollar upwards as the currency outperformed other key regions during the second quarter, notably gaining close to parity with the Euro and breaking the psychologically important 130 yen to the dollar barrier. This US dollar strengthening was a particular headwind for EM stocks. China's continued outperformance, however, helped soften the blow as partial lockdown easing spurred optimism. This meant the MSCI Emerging Markets Index declined 11.5% in USD terms. In the UK, the pound fell relative to the US dollar—but having a depreciating currency was a beneficial factor for many UK FTSE 100 companies because the market is skewed to multinationals with overseas revenue exposure (which benefitted from the dollar's strength).

Relative to other markets, the UK index proved to be one of the best performers during Q2, returning -3.7% in local GBP terms.

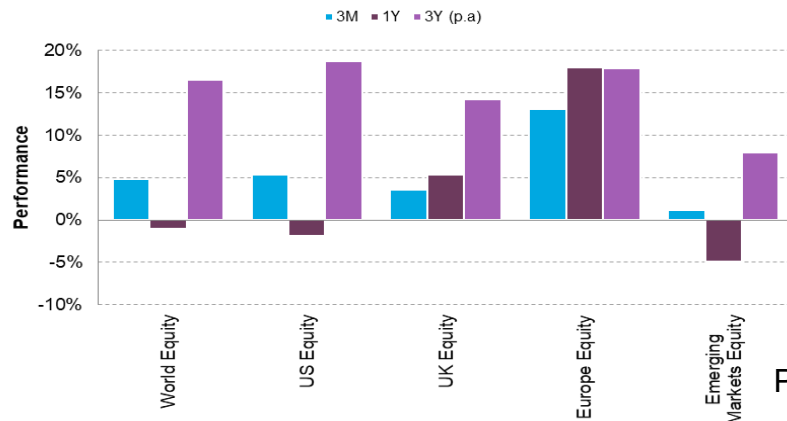
As Summer progressed, Global equity markets declined for the third consecutive quarter with concerns surrounding inflation and interest rate hikes, coupled with growing fears of recession, continued to dominate headlines. Despite an initial rally through July, the MSCI World closed Q3 down 6.2% (in USD terms), extending its year-to-date decline to more than 25%, and the MSCI ACWI was down by almost -7%.

# Investment Policy and Performance (continued)

The quarter bore witness to several interest rate hikes in the major developed markets, including the Federal Reserve (to 3.25%), the European Central Bank (to 0.75%) and the Bank of England (to 2.25%) – the highest rates we’ve seen since the Global Financial Crisis. Yet, the rises generally affirmed a commitment to try to rein in inflation, despite the dampening effect on growth and equity markets. In September, annual inflation reached double digits in the UK (CPI measure) and EU, driven particularly by escalating energy and food costs. UK equities and market sentiment suffered as the new government’s fiscal policy announcements were poorly received by markets, driving the value of sterling to an all-time low vs. the US dollar, and ultimately leading to the eventual resignation of Liz Truss as Prime Minister after just 45 days in office.

Emerging markets similarly declined over Q3 (MSCI EM -11.6%). In addition to the general economic weakness, rising rates and inflationary pressures, Eastern European countries were particularly affected by the inflationary and energy effects of the Russian war in Ukraine. Despite positive returns in Q2, China fell sharply in Q3 (MSCI China -22.5%), with the ongoing strict lockdown policy suppressing economic activity alongside other challenges, such as the continued geopolitical tensions with Taiwan.

## Performance of Equity Markets to 31 March 2023



Source: bfinance

### Indices Used

World Equity: MSCI World NR (GBP), US Equity: S&P 500 TR (GBP), UK Equity: FTSE 100 TR (GBP), Europe Equity: Euro STOXX 50 NR (GBP), Emerging Markets Equity: MSCI EM NR (GBP)

Reaching the close of 2022 confirmed that after three consecutive calendar years of double-digit positive returns, the MSCI World index declined sharply for the period (-18.1% in USD terms). Inflation once again proved the dominant theme, albeit with materially different drivers compared to 2021: geopolitical conflict, rather than monetary policy tightening, was the primary driving force as the Russian war on Ukraine impacted supply chains and commodity prices. Energy proved to be a key beneficiary (+46% over the 12 months), while traditional defensives such as consumer staples, healthcare and utilities fared relatively well. Those equity markets with strong links to commodities (e.g. UK, Australia, Canada, Latin America) performed particularly well during the year. However, the US—with its high weighting to IT stocks—struggled somewhat: the S&P 500 was down -19.4% in 2022, its worst year in terms of performance since 2008. While 2022 proved to be a disappointing year for equities, Q4 offered some respite, with the MSCI World gaining close to +10% over the three-month period. Investors appeared to take comfort from signs that the pace of monetary policy tightening (across the developed world) might be slowing, with inflation also softening from multi-decade highs. Alongside energy, economically sensitive sectors such as industrials and financials led the way as all sectors other than consumer discretionary generated positive absolute returns. China abruptly relaxed its ‘zero-Covid’ policy, pushing the MSCI China index higher (+13.5% in USD terms) and helping to spur the broader global emerging markets index where returns were almost on par with those in developed equity markets.



# Investment Policy and Performance (continued)

Despite the broad market drawdown over 2022, the first quarter of 2023 saw a continued equity market recovery with positive returns over the period (+8%). This masked some volatile market activity, particularly in the banking sector in March with the collapse of regional US banks SVB and Signature Bank, followed by Credit Suisse. Overall, however, there was some positivity with some (albeit mixed) signs of inflation levelling off. This positive sentiment was reflected in partial performance rebounds for IT, consumer discretionary and communications services—the three worst performing sectors of the market over 2022. The first quarter saw further rate rises by the Fed and European Central Bank. Combined with continued easing of recession fears and a reduction in wholesale energy prices, markets were reasonably well supported for partial return bounce backs, particularly in growth and economically sensitive segments which had been the worst hit in recent months. This particularly supported European markets (MSCI Europe +11%) and the US (S&P 500 +7%). Global developed markets outperformed China (+6% MSCI China All Shares) and global emerging markets generally (+4% MSCI EM). This positive performance was still a sharp contrast to the broad market drawdowns experienced in 2022. China's final major Covid restrictions were lifted abruptly at the turn of 2023 and although there was some ongoing political tension with the US during the quarter, the optimism around reopening and economic growth combined with more positivity on the property market and internet companies combined for overall gains. In other emerging economies, performance was more mixed, with weakness in Brazil amid civil unrest and growth concerns in India; and pockets of strength such as Taiwan.

## Bonds

In many ways, the second quarter of 2022 continued as last financial year ended: as central banks in developed markets continued to raise interest rates in attempts to curb inflation, investors' appetite for investment grade (IG) fixed income strategies fell.

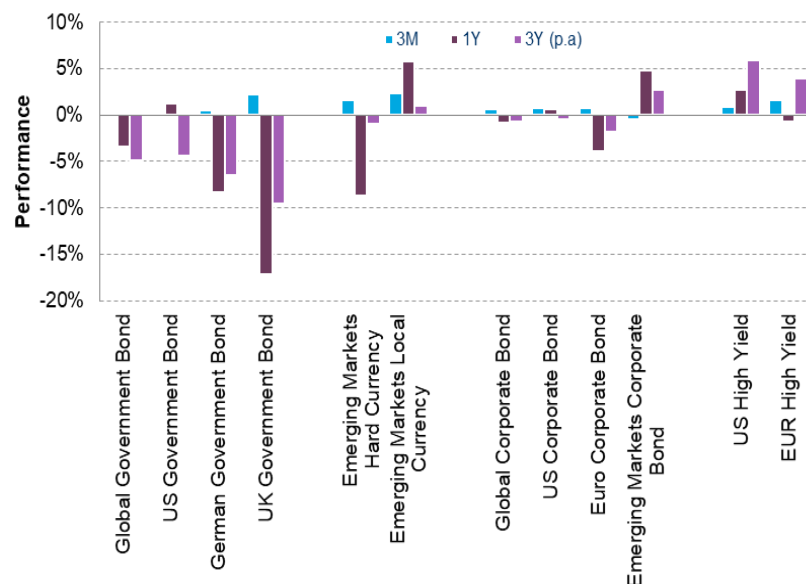
Across the range of fixed income securities, asset-backed securities and floating rate assets continued to benefit from this trend—or at least sustained less damage from prevailing market headwinds. In the US, central bank actions in Q2 followed the anticipated schedule of rate hikes broadcast in Q1—most of which had already been priced into bond markets. In Europe, we observed a similar trend as longer-dated yields moved sharply higher than the equivalent shifts seen in shorter-dated yields. The 20-year interest rate, for example, increased from 0.58% at the end of March to 1.59% at the end of June. The benchmark 10-year yield rose to a lesser degree, although it still rose by a 79 basis points, from 0.54% to 1.33% by the end of the period.

Following the adverse global backdrop in the first half of 2022, the respite offered to market participants at the beginning of Q3 proved to be short-lived. Views emerging in the midst of the summer that the Fed's tightening cycle would pivot by mid-2023 were dashed in September by higher-than-expected US inflation numbers. The Fed agreed a third consecutive 75bps hike, with hawkish projections, shrugging off risks of a recession. Meanwhile, far from abating, geopolitical tensions escalated (Ukraine) and multiplied (Taiwan). As a result, volatility rose again during the quarter and markets resumed their losing streak. In the US, the hike pushed the Fed fund rate to 3.25%, its highest level since 2008.



# Investment Policy and Performance (continued)

## Performance of Bond Markets to 31 March 2023



Source: bfinance

### Indices Used

World Equity: Barclays GlobalAgg Treasury TR (GBP Unhedged), ICE BofA ML US Treasury (GBP Unhedged), ICE BofA ML German Government (GBP Unhedged), ICE BofA ML UK Gilt (GBP Unhedged), JPM EMBI GLOBAL DIVERSIFIED TR (GBP Unhedged), JPM GBI-EM Global Div TR (GBP Unhedged), Barclays Global Agg Corporate TR (GBP Unhedged), Barclays US Agg Corporate TR (GBP Unhedged), Barclays Euro Agg Corporate TR (GBP Unhedged), JPM CEMBI BROAD DIVERSIFIED TR (GBP Unhedged), ICE BofA ML US High Yield (GBP Unhedged), ICE BofA ML Euro High Yield (GBP Unhedged)

Fixed income closed 2022 on a positive note thanks to a welcome (and much needed!) rally in Q4. Both the Fed and the ECB dialled down on their number of rate hikes on the back of an improved outlook for inflation. In the US, two successive 75bp and 50bp hikes pushed the Fed fund rate to 4.5% by the end the year, its highest level since 2008.

US investment grade corporate bond posted a positive return in Q4 (+3.53%), topping off a challenging 2022 (-15.44%). Bonds of all ratings generated positive returns, led by the riskier BBB-rated group as well as commodity-related sectors.

The first quarter of 2023 started as 2022 ended, with risk-friendly sentiment supported by China reopening and a general expectation of easing inflation and a resilient global economy. However, later in the quarter, strong US labour and retail sales data dampened optimism. Finally, the collapse of Silicon Valley Bank and Credit Suisse raised fresh concerns about the global financial system and made for a turbulent end to the quarter. The Fed made two 25bps hikes to take its federal funds rate range to 4.75–5%. Similarly in Europe, the ECB carried out two 50bps hikes, bringing the rate on its Deposit facility to 3%.

## Fund Activity

### Valuation and Strategic Asset Allocation review

The 2022 valuation results showed continued improvement in funding levels, to such a healthy position that the Pension Committee has been able to agree to de-risking some of the investment portfolio, focusing on securing the position the fund is in to meet its existing and future liabilities. Confidence in the fundamental funding position is also empowering when it comes to taking decisions regarding the fund's social and environmental impact, decisions that could be more complicated should the requirement for financial growth by substantially more urgent.

### Responsible Investment

Keen followers of the fund's activities will recall a new Responsible Investment Policy was approved and adopted in 2021, along with a revised Investment Strategy Statement and net zero investment commitments. Attention has since turned to implementation, with initial actions focusing on the fund's passive equity investments.

# Investment Policy and Performance (continued)

This year has seen significant education and investigation of implementation options and I'm pleased to see changes currently being made that will move us along our net zero pathway nicely.

With the results of a consultation expected from government imminently concerning mandatory reporting of investment portfolio carbon intensity this work will only get more important, and the likelihood is similar requirements will be coming down the road on reporting the funds impact on "natural capital" in the coming years.

As ever, requirements will continue to evolve. Thankfully, having a modern, fit for purpose policy in place should put us in a strong position to meet these challenges as they arise.

## Fund Performance

The fund continues to perform well, seeing a substantial increase in its funding ratio in the past year (by more than 25%) as the value of the liabilities fell significantly (down c. £1bn) while asset values remained broadly flat (down -2.8%).

For the past 12 months our equity investments are in aggregate down 1.6%, slightly behind the passive benchmark. Fixed income investments haven't fared quite as well, down 11.4%, though much closer to the benchmark of -11.12%. The growing alternatives portfolio also struggled, returning c.-0.1% but beating the benchmark of -0.5%.

As I have mentioned previously, the Fund has seen significant asset allocation change over the past couple of years with a substantial uplift in the target allocation to alternatives, funded by a reduction in equity investments, and this continues to be the trend.

These alternative investments, particularly those focused on infrastructure, are designed to enhance portfolio diversification – providing a return stream meaningfully different to that provided by the equity investments and also have potentially useful inflation proofing characteristics.

These investments take time to build up, committing to managers who then go out and source appropriate assets over an investment period that can run to several years.

The ACCESS Pool is developing solutions to help us implement these alternatives investment more efficiently, with new Real Estate investment options under development that should form a core part of the Cambridgeshire Fund's property investment strategy for years to come.

## Outlook

The past year has been all about inflation and it is set to be a dominant theme for the year ahead. Low interest rates, quantitative easing, other forms of stimulus, supply line interruptions, energy cost rises have all played their part in creating it, as yet central bank intervention has failed to curtail it. Looking positively. the fund has many asset investments that should keep up with inflation, and the higher interest rate environment certainly means fixed income investments can look a lot more attractive than they have done for many years. Of course, any major shift in the investment environment can pose challenges for performance.

We will continue making progress against our responsible investment and environmental impact commitments. As data quality continues to get better and better we are increasingly well equipped to understand the nuances of the impacts our investments are having and we can look to shape these to meet our objectives.

While progress has been slow this past year, I expect the ACCESS Pool private markets propositions to get back on track, opening a series of avenues to invest in alternative asset classes in a more efficient and effective manner.

With the fund in a healthy funding position we are in a good place, with strong governance and a resilient portfolio, to continue to face the future with confidence.

# Actuarial Information

## Cambridgeshire Pension Fund (“the Fund”) Actuarial Statement for 2022-23

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

### Description of Funding Policy

The funding policy is set out in the Administering Authority’s Funding Strategy Statement (FSS), dated March 2023. In summary, the key funding principles are as follows:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- use a balanced investment strategy to meet the regulatory requirement for long-term cost efficiency (where efficiency in this context means to minimise cash contributions from employers in the long term)
- where appropriate, ensure stable employer contribution rates
- reflect different employers’ characteristics to set their contribution rates, using a transparent funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations
- manage the fund in line with the stated ESG policies.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 20 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 70% likelihood that the Fund will achieve the funding target over 20 years.

### Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2022. This valuation revealed that the Fund’s assets, which at 31 March 2022 were valued at £4,305 million, were sufficient to meet 125% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2022 valuation was £860 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and likelihood measure as per the FSS. Individual employers’ contributions for the period 1 April 2023 to 31 March 2026 were set in accordance with the Fund’s funding policy as set out in its FSS.

### Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2022 valuation report.

### Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

# Actuarial Information (continued)

## Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2022 valuation were as follows:

Financial Assumptions	31 March 2022
Discount Rate	4.9%
Salary increase assumption	3.2%
Benefit increase assumption(CPI)	2.7%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	22.0 years	24.6 years
Future Pensioners*	22.8 years	26.1 years

\*Aged 45 at the 2022 Valuation.

Copies of the 2022 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund to the Fund and on the Fund's website.

## Experience over the period since 31 March 2022

Markets continued to be disrupted by the ongoing war in Ukraine and inflationary pressures, impacting on investment returns achieved by the Fund's assets. High levels of inflation in the UK (compared to recent experience), have resulted in a higher than expected LGPS benefit increase of 10.1% in April 2023. Despite this, the funding level of the Fund is likely to be higher than reported at the 31 March 2022 funding valuation due to the significant rise in interest rates which reduces the value placed on the Fund's liabilities.

The next actuarial valuation will be carried out as at 31 March 2025. The Funding Strategy Statement will also be reviewed at that time.

Douglas Green FFA

30 May 2023

For and on behalf of Hymans Robertson LLP

# Actuarial Information (continued)

## Extract from the Actuarial Valuation Report

### Executive Summary

We have carried out an actuarial valuation of the Cambridgeshire Pension Fund (“the Fund”) as at 31 March 2022. The results are presented in this report and are briefly summarized below.

### Funding Position

The table below summarizes the financial position of the Fund at 31 March 2022 in respect of benefits earned by members up to this date (along with a comparison at the last formal valuation at 31 March 2019).

Valuation Date	31 March 2019 (£m)	31 March 2022 (£m)
Past Service Liabilities	3,204	3,446
Market Value of Assets	3,193	4,305
Surplus/(Deficit)	-11	860
Funding Level	100%	125%

The most significant external event to occur since the last valuation has been the Covid-19 pandemic. The impact on the funding position has been small, likely due to the age profile of the excess deaths and the level of pension.

Other significant factors occurring which affect the funding strategy of the Fund have been the better than expected investment returns. This has had a material positive impact on the funding position and employers’ secondary contribution rates.

### Contribution Rates

The table below summarizes the whole fund Primary and Secondary Contribution rates at this triennial valuation. The Primary rate is the payroll weighted average of the underlying individual employer primary rates and the Secondary rate is the total of the underlying individual employer secondary rates (before any pre-payment or capitalization of future contributions), calculated in accordance with the Regulations and CIPFA guidance.

Primary Rate (% of pay)		Secondary Rate (£)	
1 April 23 – 31 March 26	2023-24	2024-25	2025-26
18.4%	£16,449,000	£14,485,000	£13,144,000

The Primary rate also includes an allowance of 0.8% of pensionable pay for the Fund’s expenses. The average employee contribution rate is 6.4% of pensionable pay.

The minimum contributions to be paid by each employer from 1 April 2023 to 31 March 2026 are shown in the Rates and Adjustment Certificate.

Douglas Green FFA

Robert McInroy FFA

31 March 2023

For and on behalf of Hymans Robertson LLP

# Audit Opinion

# Audit Opinion (continued)

# Audit Opinion (continued)



# Fund Account

31-Mar-22 £000	Notes	31-Mar-23 £000
<b>Dealings with members, employers and others directly involved in the fund:</b>		
134,643 Contributions	Note 7	148,915
11,532 Transfers in from other pension funds	Note 8	18,402
<b>146,175</b>		<b>167,317</b>
-118,306 Benefits	Note 9	-123,517
-8,754 Payments to and on account of leavers	Note 10	-11,281
<b>-127,060</b>		<b>-134,798</b>
<b>19,115</b>	<b>Net additions/(withdrawals) from dealing with members</b>	<b>32,519</b>
-25,633 Management expenses	Note 11	-24,894
<b>-6,518</b>	<b>Net additions/(withdrawals) including fund management expenses</b>	<b>7,625</b>
<b>Returns on investments:</b>		
30,719 Investment income	Note 13	52,598
382,996 Profit and (losses) on disposal of investments and changes in the value of investments	Notes 14a and 17b	-133,859
<b>413,715</b>	<b>Net return on investments</b>	<b>-81,261</b>
<b>407,197</b>	<b>Net increase/(decrease) in the net assets available for benefits during the year</b>	<b>-73,636</b>
3,898,235 Opening net assets of the scheme		4,305,432
<b>4,305,432</b>	<b>Closing net assets of the scheme</b>	<b>4,231,796</b>

Notes on pages 55 to 84 form part of the financial statements.

# Net Asset Statement

31-Mar-22 £000		Notes	31-Mar-23 £000
4,290,145	Investment assets		4,213,959
-2,445	Investment liabilities		-2,699
<b>4,287,700</b>	<b>Total net investments</b>	Note 14	<b>4,211,260</b>
23,805	Current assets	Note 21	26,287
-6,073	Current liabilities	Note 22	-5,751
<b>17,732</b>	<b>Net Current Assets</b>		<b>20,536</b>
<b>4,305,432</b>	<b>Closing net assets of the scheme</b>	Note 17a	<b>4,231,796</b>

Notes on pages 55 to 84 form part of the financial statements.

Note: The Fund's financial statements do not take account of the liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at Note 20.

# Notes to the Pension Fund Accounts

## 1. DESCRIPTION OF THE FUND

The Cambridgeshire County Council Fund is part of the Local Government Pension Scheme (LGPS) and is administered by Cambridgeshire County Council. The County Council is the reporting entity for this Pension Fund. The following description of the Fund is a summary only. For more detail, reference should be made to the Annual Report 2022-23 on pages 1 to 49 and the underlying statutory powers underpinning the scheme.

### General

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

- the LGPS Regulations 2013 (as amended);
- the LGPS (Transitional Provisions, Savings and Amendments) Regulations 2014 (as amended);
- the LGPS (Management and Investment of Funds) Regulations 2016;
- The Local Government Pension Scheme (Amendment) Regulations 2018.

The Fund is a contributory defined benefit pension scheme administered by Cambridgeshire County Council to provide pensions and other benefits for pensionable employees of Cambridgeshire County Council, the district councils in Cambridgeshire, and a range of other scheduled and admitted bodies within the county area. Teachers, Police Officers and Firefighters are not included as they come within other national pension schemes. The Fund is overseen by the Cambridgeshire Pension Fund Committee, which is a committee of Cambridgeshire County Council.

### Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme. Organisations participating in the Cambridgeshire Pension Fund include:

- Scheduled Bodies - local authorities and similar bodies whose staff are automatically entitled to be members of the Fund;

- Admitted Bodies - other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.
- Resolution/Designated bodies – These are organisations that can admit their employees to the LGPS by passing their resolution (nominate employees for access to the LGPS) Parish/Town Council are under this category.

As at 31 March 2023 there was 198 ( 2022: 213) active employers within the Cambridgeshire Pension Fund, including the County Council itself.

	31-Mar-22	31-Mar-23
Number of employers with active members	213	198

The Fund has over 97,000 individual members, as detailed below:

Number of employees in scheme:	31-Mar-22	31-Mar-23
County council	9,362	9,299
Other employers	19,549	18,768
<b>Total</b>	<b>28,911</b>	<b>28,067</b>
<b>Number of Pensioners:</b>		
County council	9,185	10,003
Other employers	12,155	12,411
<b>Total</b>	<b>21,340</b>	<b>22,414</b>
<b>Deferred pensioners:</b>		
County council	13,859	15,772
Other employers	17,514	19,481
<b>Total</b>	<b>31,373</b>	<b>35,253</b>
<b>Undecided Leavers:</b>		
County council	4,627	4,525
Other employers	6,384	6,887
<b>Total</b>	<b>11,011</b>	<b>11,412</b>
<b>Total members</b>	<b>92,635</b>	<b>97,146</b>

# Notes to the Pension Fund Accounts (continued)

## Funding

Benefits are funded by contributions and investment earnings. Currently the level of contribution income is sufficient to fund regular benefit payments. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ended 31 March 2023. Employers' contributions are set as part of the triennial actuarial funding valuation. The last such valuation was at 31 March 2022. Employers' contributions comprise a percentage rate on active payroll between 14.3% and 46.9% and deficit payments of fixed cash amounts set for each employer as part of the triennial funding valuation.

## Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised below:

	Service pre 1 April 2008	Service 1 April 2008 to 31 March 2014
<b>Pension</b>	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.
<b>Lump Sum</b>	Automatic lump sum of 3 x pension. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

## Career Average Revalued Earnings (CARE)

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based upon their pensionable pay in that year at an accrual rate of 1/49th or 1/98th for those members who have taken up

the 50/50 option and pay proportionately lower contributions.

Accrued pension is updated annually in line with the Consumer Price Index.

There are a range of other benefits provided under the scheme including early retirement, ill health pensions and death benefits. For more details, please refer to the Full Guide which can be found in the member section on the Pension's Fund website. [Member - Pension Details](#)

## 2. BASIS OF PREPARATION

The statement of accounts summarises the Fund's transactions for the 2022-23 financial year and its financial position at 31 March 2023. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23 (the Code), which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits that fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The pension fund has opted to disclose this information in Note 20.

# Notes to the Pension Fund Accounts (continued)

## Going Concern

The Funding Level as per the recent triennial valuation exercise (March 2022) was 125%. The Funding Level at year ending March 2023 was 152%.

There are 491 individual active employers as at March 2023. All employers are paying their contributions as per the rates and adjustment certificate. No employer has deferred their payments. Benefits paid for the year were £124m, with contributions of £149m, showing a net cash inflow.

The actual annual investment return for March 2023 was -2.8% and the Fund value had decreased to £4.231 billion, meaning the fund has decreased by £73.6 million during the year. At 31 March 2023 the Pension Fund has 56.3% of its investments allocated to equities and 13.9% allocated to Bonds, with £25.3 million in cash, which are all assets that could be liquidated quickly to pay benefits should the need arise.

The Pension Fund is satisfied that it is sufficiently liquid to conclude that it is a going concern, since the value of pension fund assets that can be liquidated at short notice if needed is £3.0 billion which significantly exceeds the annual expenditure of the fund.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Fund Account – Revenue Recognition

#### Contribution Income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis. Contributions from members are set in accordance with LGPS regulations and contributions from members are set at the percentage rate recommended by the actuary in the payroll period to which they relate.

Employer deficit funding contributions are accounted for on the due date 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 pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in the year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

## Transfers to and from Other Schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations (see Notes 8 and 10).

Individual transfers in/out are accounted for on a cash basis.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipt basis and are included in Transfers In (see Note 8). Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement. There have been no group transfers in during 2021-22 and 2022-23.

## Investment Income

### i) Interest 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.

### ii) Dividend income

Dividend 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 a current financial asset.

### iii) Distributions from pooled funds

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.

# Notes to the Pension Fund Accounts (continued)

## Investment Income (continued)

### *iv) Movement in the net market value of investments*

Changes in the net market value of investments are recognised as income or expense and comprise all realised and unrealised profits/losses during the year.

## Fund Account – Expense Items

### 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 and paid in the following month.

### Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

### Management Expenses

The Code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the Fund discloses its pension fund management expenses in accordance with CIPFA's Accounting for Local Government Pension Scheme Management Expenses (2016).

### Administrative Expenses

All administrative expenses are accounted for on an accruals basis. All staff costs of the pension's administration team are charged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund in accordance with Council policy.

## Oversight and Governance Costs

All oversight and governance expenses are accounted for on an accruals basis. The costs of obtaining legal and consultancy advice are charged direct to the Fund. The cost of the Pool are charged direct to the Fund.

## Investment Management Expenses

Investment Management expenses are accounted for on an accruals basis.

Fees of external Investment Managers and the Custodian are agreed in the respective mandates governing their appointments. Broadly, 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.

Investment fees are charged directly to the fund as part of management expenses and are not included in, or netted off from, the reported returns on investments. Where fees are netted off returns by investment managers, these expenses are grossed up to increase the change in value of investments.

Where an Investment Manager's fee note has not been received by the year end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the Fund Account. In 2022-23, £240k of fees are based upon such estimates (2021-22: £234K). In addition, manager fees deducted from pooled funds of £20.1m (2021-22: £21.9m) are based upon information received from fund managers.

# Notes to the Pension Fund Accounts (continued)

## Net Assets Statement

### Financial Assets

Financial assets are included in the Net Assets Statement on a fair value basis, except for loans and receivables.

Loans and receivables are assets for which the amounts receivable are fixed and determinable and where the Fund has not designated the asset at fair value through profit and loss. This includes contributions owing from employers and cash deposits. Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset.

Investment assets, other than cash held by Investment Managers on the Fund's behalf, are initially recognised at fair value and are subsequently measured at fair value with gains and losses recognised in the Fund Account. The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Note 16). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

### Foreign Currency Transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates 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.

### Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes (see Note 15).

## Cash and Cash Equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the Fund's external managers.

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.

### Financial Liabilities

The Fund initially recognises financial liabilities at fair value and subsequently measure them at amortised cost. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability.

### Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits is assessed on an annual basis by the scheme actuary in accordance with the requirements of IAS19 and relevant actuarial standards. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (see Note 20).

### Additional Voluntary Contributions

The Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Pension Fund. The Fund's AVC providers are Prudential and Utmost Life. AVCs are deducted from the individual member's pay and paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts, in accordance with section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, but are disclosed as a note only (see Note 23).

# Notes to the Pension Fund Accounts (continued)

## Contingent Assets and Liabilities

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the net assets statement but are disclosed by way of a narrative in the notes.

## 4. CRITICAL JUDGEMENT IN APPLYING ACCOUNTING POLICIES

### Pension Fund Liability

The net Pension Fund liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

The estimated liability is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Note 19.

Actuarial revaluations are used to set future contribution rates and underpin the Fund's most significant Investment Management policies, for example in terms of the balance struck between longer term investment growth and short-term investment yield/return.

## 5. 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 Balance Sheet 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 as 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- **Actuarial Present Value of Promised Retirement Benefits Uncertainties:**

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rates at which salaries and pensions are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. An independent firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.

- **Effect if Actual Results Differ from Assumptions:**

The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% decrease in the discount rate assumption would result in an increase in the pension liability by approximately £72m. A 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £5m, and a 1 year increase in assumed life expectancy would increase the liability by approximately £158m. Although the example above is based on an increase, a decrease to discount rate and assumed life expectancy could also occur.



# Notes to the Pension Fund Accounts (continued)

## Cambridge and Counties Bank

- **Uncertainties:** Cambridge and Counties Bank is not publicly listed and as such there is a degree of estimation involved in the valuation. The Pension Fund has appointed an independent, professional valuer to advise a suitable valuation. The Fund's investment is valued on a market based approach with reference to price/earnings and price to book of comparable public companies.
- **Effect if actual results differ from assumptions:** The investment in the financial statements is £69.7m. There is a risk that this investment may be under or overstated in the accounts. As set out in the independent, professional valuation report, the valuation of the Cambridge and Counties Bank is in the range of £66.8m to £72.6m. The mid-point of this valuation range has been applied within the Fund's accounts.

## Other Private Equity and Infrastructure Uncertainties:

- **Uncertainties:** All other private equity and infrastructure investments are valued at fair value. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. See Note 16a.
- **Effect if actual results differ from assumptions:** Total private equity and infrastructure investments (excluding Cambridge and Counties Bank – see above) at fair value in the financial statements are £809.7m. There is a risk that this investment may be under or overstated in the accounts. Note 18 gives a price sensitivity of Alternative investments of 24.0%, which indicates that Other private equity and infrastructure values may range from £615.4m to £1,004m.

## 6. EVENTS AFTER THE BALANCE SHEET 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.

## 7. CONTRIBUTIONS RECEIVABLE

### By Category:

31-Mar-22		31-Mar-23
£000		£000
30,628	Employees' contributions	33,124
	<b>Employers' contributions:</b>	
93,644	Normal contributions	100,571
10,371	Deficit recovery contributions	15,220
104,015	<b>Total employers' contributions</b>	<b>115,791</b>
<b>134,643</b>		<b>148,915</b>

### By Authority:

31-Mar-22		31-Mar-23
£000		£000
29,164	Administering authority	31,699
99,693	Scheduled bodies	108,666
5,786	Admitted bodies	8,550
<b>134,643</b>		<b>148,915</b>

## 8. TRANSFERS IN FROM OTHER PENSION FUNDS

31-Mar-22		31-Mar-23
£000		£000
10,865	Individual transfers	18,402
667	Group transfers	0
<b>11,532</b>		<b>18,402</b>

# Notes to the Pension Fund Accounts (continued)

## 9. BENEFITS PAYABLE

By category:

31-Mar-22 £000	31-Mar-23 £000
96,636 Pensions	102,737
19,444 Commutation and lump sum retirement benefits	17,863
2,226 Lump sum death benefits	2,917
<b>118,306</b>	<b>123,517</b>

By authority:

31-Mar-22 £000	31-Mar-23 £000
36,422 Administering authority	39,425
71,853 Scheduled bodies	73,760
10,031 Admitted bodies	10,332
<b>118,306</b>	<b>123,517</b>

## 10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

31-Mar-22 £000	31-Mar-23 £000
793 Refunds to members leaving service	1,053
7,961 Individual transfers	10,228
<b>8,754</b>	<b>11,281</b>

## 11. MANAGEMENT EXPENSES

31-Mar-22 £000	31-Mar-23 £000
2,602 Administrative costs	2,868
22,130 Investment management expenses	20,968
901 Oversight and governance costs*	1,058
<b>25,633</b>	<b>24,894</b>

\*Base fees payable to External Auditors, included within Oversight and Governance costs were £26k during the year (2021-22 £17k). The scale fee variation will be communicated in due course.

## 12. INVESTMENT MANAGEMENT EXPENSES

2022/23	Management fees £000	Performance related fees £000	Transaction costs £000	Other costs £000	Total £000
Bonds	235	0	0	0	235
Pooled investments	9,036	0	13	453	9,502
Pooled property investments	534	0	368	179	1,081
Private Equity/Infrastructure	5,156	3,527	154	1,274	10,111
Custody Fees	0	0	0	39	39
<b>Total</b>	<b>14,961</b>	<b>3,527</b>	<b>535</b>	<b>1,945</b>	<b>20,968</b>

2021/22	Management fees £000	Performance related fees £000	Transaction costs £000	Other costs £000	Total £000
Bonds	257	0	0	0	257
Pooled Investments	9,441	0	0	421	9,862
Pooled property investments	431	0	435	170	1,036
Private Equity/Infrastructure	5,748	4,137	187	883	10,955
Custody fees	0	0	0	20	20
<b>Total</b>	<b>15,877</b>	<b>4,137</b>	<b>622</b>	<b>1,494</b>	<b>22,130</b>

## 13. INVESTMENT INCOME

31-Mar-22 £000	31-Mar-23 £000
780 Income from bonds	994
8,597 Pooled investments – unit trusts and other managed funds	27,542
8,487 Pooled Property Investments	11,017
12,826 Private equity/infrastructure income	12,020
29 Interest on cash deposits	1,025
<b>30,719</b>	<b>52,598</b>

# Notes to the Pension Fund Accounts (continued)

## 14. INVESTMENTS

31-Mar-22		31-Mar-23
£000		£000
<b>Investment assets</b>		
210,791	Bonds	197,030
2,945,943	Pooled investments	2,854,045
301,637	Pooled property investments	267,510
799,689	Private equity/infrastructure	879,370
19,850	Cash deposits	11,448
11,100	Derivatives contracts: Options	4,141
286	Investment income due	415
849	Amounts receivable for sales	0
<b>4,290,145</b>	<b>Total investment assets</b>	<b>4,213,959</b>
<b>Investment liabilities</b>		
-2,410	Derivatives contracts: Options	-2,699
-35	Amounts payable for purchases	0
<b>-2,445</b>	<b>Total investment liabilities</b>	<b>-2,699</b>
<b>4,287,700</b>	<b>Net investment assets</b>	<b>4,211,260</b>

# Notes to the Pension Fund Accounts (continued)

## 14(a). RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

	Market value 01-Apr-22	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31-Mar-23
	£000	£000	£000	£000	£000
Bonds	210,791	56,005	-7,795	-61,971	197,030
Pooled investments	2,945,943	74,471	-97,973	-68,396	2,854,045
Pooled property investments	301,637	19,021	-12,550	-40,598	267,510
Private equity/infrastructure	799,689	112,735	-70,504	37,450	879,370
	<b>4,258,060</b>	<b>262,232</b>	<b>-188,822</b>	<b>-133,515</b>	<b>4,197,955</b>
<b>Derivative contracts:</b>					
• Purchased/written options	8,690	32,114	-39,013	-349	1,442
	<b>4,266,750</b>	<b>294,346</b>	<b>-227,835</b>	<b>-133,864</b>	<b>4,199,397</b>
<b>Other investment balances:</b>					
• Cash deposits	19,850				11,448
• Investment income due	286				415
• Amount receivable for sales	849				0
• Amounts payable for purchases of investments	-35				0
<b>Net investment assets</b>	<b>4,287,700</b>				<b>4,211,260</b>

# Notes to the Pension Fund Accounts (continued)

## 14(a). RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES (continued)

	Market value 01-Apr-21	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31-Mar-22
	£000	£000	£000	£000	£000
Bonds	156,972	132,231	-81,155	2,743	210,791
Pooled investments	2,761,795	40,086	-112,164	256,226	2,945,943
Pooled property investments	237,190	45,014	-21,426	40,859	301,637
Private equity/infrastructure	688,334	75,093	-87,909	124,171	799,689
	<b>3,844,291</b>	<b>292,424</b>	<b>-302,654</b>	<b>423,999</b>	<b>4,258,060</b>
<b>Derivative contracts:</b>					
• Purchased/written options	-46,008	149,776	-53,073	-42,005	8,690
	<b>3,798,283</b>	<b>442,200</b>	<b>-355,727</b>	<b>381,994</b>	<b>4,266,750</b>
<b>Other investment balances:*</b>					
• Cash deposits	66,353				19,850
• Investment income due	247				286
• Amount receivable for sales	0				849
• Amounts payable for purchases of investments	0				-35
<b>Net investment assets*</b>	<b>3,864,883</b>				<b>4,287,700</b>

# Notes to the Pension Fund Accounts (continued)

## 14(b). INVESTMENTS ANALYSED BY FUND MANAGER

Market value 31-Mar-22		Market value 31-Mar-23	
£000	% of net investment assets	£000	% of net investment assets
<b>Investments managed under Pool Governance:</b>			
1,709,669	39.9 Link Fund Solutions	1,687,761	40.0
959,654	22.4 UBS Global Asset Management	884,740	21.0
<b>2,669,323</b>	<b>62.3 Total Investments managed under Pool Governance</b>	<b>2,572,501</b>	<b>61.0</b>
<b>Investments managed outside Pool Governance:</b>			
178,519	4.2 Adams Street Partners	200,494	4.8
19,190	0.4 Allianz Global Investors	14,084	0.3
41,671	1.0 Ares Management	43,061	1.0
197,832	4.6 BlueBay Asset Management	186,233	4.4
85,000	2.0 Cambridge and Counties Bank	69,700	1.7
15,000	0.3 Cambridge Building Society	15,000	0.4
28,356	0.7 Equitix Investment Management	31,132	0.7
20,565	0.5 Foresight Group	43,089	1.0
159,331	3.7 HarbourVest Partners (UK)	191,922	4.6
76,081	1.8 IFM Infrastructure	88,116	2.1
59,578	1.4 JP Morgan	75,350	1.8
81,036	1.9 M&G Investments	66,872	1.6
57,452	1.3 M&G Real Estate	73,198	1.7
50,001	1.1 Partners Group (UK)	41,131	1.0
520,488	12.1 Schroders Investment Management	469,831	11.2
8,946	0.2 UBS Infrastructure	9,122	0.2
19,331	0.5 Cash with custodian	20,424	0.5
<b>1,618,377</b>	<b>37.7 Total Investments managed outside Pool Governance</b>	<b>1,638,759</b>	<b>39.0</b>
<b>4,287,700</b>	<b>100.0 Net investment assets</b>	<b>4,211,260</b>	<b>100.0</b>

All the above companies are registered in the United Kingdom.

# Notes to the Pension Fund Accounts (continued)

The following investments represent more than 5% of the net assets of the scheme as at 31<sup>st</sup> March 2023.

Security	31-Mar-22	% of total fund	31-Mar-23	% of total fund
	£000	%	£000	%
LF ACCESS Global Stock - Dodge and Cox	562,493	13.1	575,434	13.6
LF ACCESS Global Equity - J O Hambro	539,385	12.5	470,975	11.1
LF ACCESS Global Equity - Longview	414,792	9.6	438,535	10.4
	<b>1,516,670</b>		<b>1,484,944</b>	

## 15. ANALYSIS OF DERIVATIVES

### Objectives and policies for holding derivatives

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the Fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the Fund and the various investment managers.

#### • Futures

There were no outstanding exchange traded future contracts at 31 March 2023 or 31 March 2022.

#### • Forward foreign currency

The Fund's Investment Managers may enter into forward foreign currency contracts to secure current exchange rates in order to reduce the volatility associated with fluctuating currency rates.

There were no open forward currency contracts at 31 March 2023 or 31 March 2022. There is no specified requirement to use currency hedging within the Fund's Investment Management Agreements. Instead, the Fund managers use their discretion as to whether or not any currency hedging should be used to mitigate any potential risk.

# Notes to the Pension Fund Accounts (continued)

## •Options

In order to minimise the risk of loss of value through adverse equity price movements, equity option contracts can protect the Fund from falls in value in its main investment markets, principally the UK, USA and Europe.

Investment underlying option contract	Expires	Put/Call	Notional Holdings	31-Mar-22	Notional Holdings	31-Mar-23
Assets				£000		£000
Overseas equity purchased	One to three months	Put	132,999	11,100	149,636	4,141
<b>Total assets</b>				<b>11,100</b>		<b>4,141</b>
Liabilities						
Overseas equity written	One to three months	Put	-170,996	-1,485	-192,388	-556
Overseas equity written	One to three months	Call	-132,999	-925	-149,636	-2,143
<b>Total liabilities</b>				<b>-2,410</b>		<b>-2,699</b>
<b>Net purchased/written options</b>				<b>8,690</b>		<b>1,442</b>



# Notes to the Pension Fund Accounts (continued)

## 16. FAIR VALUE

### Valuation of Financial Instruments Carried At Fair Value

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values.

Transfers between levels are recognised in the year in which they occur. The Fund has adopted the classification guidelines recommended in the Practical Guidelines on Investment Disclosures (PRAG/Investment Association, 2016).

**Level 1** Assets and liabilities at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index-linked securities and unit trusts.

**Level 2** Assets and liabilities at Level 2 are those 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. The price used is based upon inputs from observable market data.

**Level 3** Assets and liabilities 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.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which the Cambridgeshire Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines 2022, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

### 16a. Fair value hierarchy

The following tables provides an analysis of the financial assets at fair value through profit and loss of the Pension Fund grouped into levels 1 to 3, based on the level at which the fair value is observable:

Value at March 2023	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss	£000	£000	£000	£000
Bonds	197,030	0	0	197,030
Pooled Investments	28,440	2,825,605	0	2,854,045
Pooled Property Investments	0	0	267,510	267,510
Private Equity/Infrastructure	0	0	879,370	879,370
Derivatives	0	4,141	0	4,141
<b>Net Investment Assets</b>	<b>225,470</b>	<b>2,829,746</b>	<b>1,146,880</b>	<b>4,202,096</b>

Value at March 2022	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss	£000	£000	£000	£000
Bonds	210,791	0	0	210,791
Pooled Investments	13,089	2,932,854	0	2,945,943
Pooled Property Investments	0	0	301,637	301,637
Private Equity/Infrastructure	0	0	799,689	799,689
Derivatives	0	11,100	0	11,100
<b>Net Investment Assets</b>	<b>223,880</b>	<b>2,943,954</b>	<b>1,101,326</b>	<b>4,269,160</b>

# Notes to the Pension Fund Accounts (continued)

All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date. The fair valuation of each class of investment asset is set out below.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
<b>Cash and cash equivalents</b>	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
<b>Quoted Bonds</b>	Level 1	Fixed interest securities valued at a market value based on current yields.	Not required	Not required
<b>Pooled investments – not exchange traded open ended funds</b>	Level 2	Closing bid and offer prices are published. Closing single price where a single price is published	NAV based pricing set on a forward pricing basis.	Not required
<b>Unquoted bonds and unit trusts</b>	Level 2	Average of broker prices	Evaluated price feeds.	Not required
<b>Pooled Property</b>	Level 3	Valued by investment managers on a fair value basis each year using PRAG guidance	NAV-based pricing set on a forward pricing basis	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date.
<b>Private equity and infrastructure- equity</b>	Level 3	Comparable valuation of similar companies	Price/Earnings or EBITDA multiple	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date.
<b>Private equity and infrastructure - other</b>	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2022)	Share of net assets	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date, and by any differences between audited and unaudited accounts.

# Notes to the Pension Fund Accounts (continued)

## Sensitivity of assets valued at Level 3

Having analysed historical data and current market trends, and consulted with independent investment advisers, 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 consequent potential impact on the closing value of investments held at 31 March 2023.

Asset Type	Market Value as at 31-Mar-23	Assessed valuation range (+/-)	Value on Increase	Value on Decrease
	£000		£000	£000
Pooled property investments	267,510	15.5	308,974	226,046
Private equity and infrastructure - equity	69,700	4.2	72,600	66,800
Private equity and infrastructure - other	809,670	24.0	1,003,991	615,349
<b>Total Assets</b>	<b>1,146,880</b>		<b>1,385,565</b>	<b>908,195</b>

## 16(b) RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

Period 2022-23	Market value 01- Apr-22	Transfers in/out of Level 3	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Unrealised gains/(losses)	Realised gains/(losses)	Market value 31- Mar-23
	£000	£000	£000	£000	£000	£000	£000
Pooled property investments	301,637	0	19,021	-12,550	-44,109	3,511	267,510
Private equity and infrastructure - equity	85,000	0	0	0	-15,300	0	69,700
Private equity and infrastructure - other	714,689	0	112,735	-70,504	15,905	36,845	809,670
<b>Total</b>	<b>1,101,326</b>	<b>0</b>	<b>131,756</b>	<b>-83,054</b>	<b>-43,504</b>	<b>40,356</b>	<b>1,146,880</b>

# Notes to the Pension Fund Accounts (continued)

## 17. FINANCIAL INSTRUMENTS

### 17a. Classification of financial instruments

The following table analyses the carrying amounts of financial assets and liabilities by category and net assets statement heading. No financial assets were reclassified during the year.

31-Mar-22			31-Mar-23		
Fair value through profit and loss	Loans and receivables	Financial Liabilities	Fair value through profit and loss	Loans and receivables	Financial Liabilities
£000	£000	£000	£000	£000	£000
<b>Financial assets</b>					
210,791	0	0	197,030	0	0
2,945,943	0	0	2,854,045	0	0
301,637	0	0	267,510	0	0
799,689	0	0	879,370	0	0
11,100	0	0	4,141	0	0
0	27,877	0	0	25,360	0
0	1,135	0	0	415	0
0	15,778	0	0	12,375	0
<b>4,269,160</b>	<b>44,790</b>	<b>0</b>	<b>4,202,096</b>	<b>38,150</b>	<b>0</b>
<b>Financial liabilities</b>					
0	0	-2,410	0	0	-2,699
0	0	-35	0	0	0
0	0	-6,073	0	0	-5,751
<b>0</b>	<b>0</b>	<b>-8,518</b>	<b>0</b>	<b>0</b>	<b>-8,450</b>
<b>4,269,160</b>	<b>44,790</b>	<b>-8,518</b>	<b>4,202,096</b>	<b>38,150</b>	<b>-8,450</b>
<b>4,305,432 Total</b>					<b>4,231,796</b>

# Notes to the Pension Fund Accounts (continued)

## 17b. Net Gains and Losses on Financial Instruments

31-Mar-22 £000	31-Mar-23 £000
<b>Financial assets:</b>	
423,999 Fair value through profit and loss	-133,515
1,360 Loans and receivables	5
0 Financial liabilities measured at amortised cost	
<b>Financial liabilities:</b>	
-42,005 Fair value through profit and loss	-349
-358 Loans and receivables	0
0 Financial liabilities measured at amortised cost	
<b>382,996 Total gains/(losses)</b>	<b>-133,859</b>

## 18. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

### Risk and risk management

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 there is sufficient liquidity to meet the Fund's forecast cash flows. The Fund manages these investment risks as part of its overall Pension Fund Risk Management Programme.

Responsibility for the Fund's Risk Management Strategy rests with the Pension Fund Committee. Risk Management policies are established to identify and analyse the risks faced by the Council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions. [Risk Strategy Statement](#)

### a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's Risk Management Strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Council and its investment advisers undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund manages these risks in two ways:

- the exposure of the Fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels
- specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Equity futures contracts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments. The Fund entered into derivative contracts to manage the overweight in equities compared to the strategic allocation.

# Notes to the Pension Fund Accounts (continued)

## Other price risk

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

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

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

## Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's investment advisers, the Council has determined that the following movements in market price risk would have reasonably been possible for the 2022-23 reporting period.

The sensitivities are consistent with the assumptions contained in the investment adviser's most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Asset Type	Potential Market Movement +/- (%p.a.)
UK equities	18.2
Global equities	19.0
Index linked bonds	8.9
Pooled fixed interest bonds	7.5
Multi asset credit	7.8
Property	15.5
Cambridge and Counties Bank	4.2
Alternatives	24.0
Cash and other investment balances	0.3

# Notes to the Pension Fund Accounts (continued)

Had the market price of the fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits would have been as follows:

<b>31-Mar-23</b>	<b>Value as at</b>	<b>% (rounded)</b>	<b>Value on</b>	<b>Value on</b>
<b>Asset Type</b>	<b>31-Mar-23</b>	<b>Change</b>	<b>Increase</b>	<b>Decrease</b>
	<b>£000</b>		<b>£000</b>	<b>£000</b>
UK equities	81,468	18.2	96,295	66,641
Global equities	2,288,216	19.0	2,722,977	1,853,455
Index linked bonds	197,030	8.9	214,566	179,494
Pooled fixed interest bonds	66,872	7.5	71,887	61,857
Multi asset credit	389,050	7.8	419,396	358,704
Property	267,510	15.5	308,974	226,046
Cambridge and Counties Bank	69,700	4.2	72,600	66,800
Alternatives	809,670	24.0	1,003,991	615,349
Cash and other investment balances	41,744	0.3	41,869	41,619
<b>Total Assets</b>	<b>4,211,260</b>		<b>4,952,555</b>	<b>3,469,965</b>

<b>31-Mar-22</b>	<b>Value as at</b>	<b>% (rounded)</b>	<b>Value on</b>	<b>Value on</b>
<b>Asset Type</b>	<b>31-Mar-22</b>	<b>Change</b>	<b>Increase</b>	<b>Decrease</b>
	<b>£000</b>		<b>£000</b>	<b>£000</b>
UK equities	91,264	19.9	109,426	73,102
Overseas equities	2,385,060	20.1	2,864,457	1,905,663
Global pooled equities	210,791	9.2	230,184	191,398
Index linked bonds	65,700	8.1	71,022	60,378
Pooled fixed interest bonds	390,830	7.4	419,751	361,909
Property	301,637	15.0	346,883	256,391
Alternatives	799,689	23.7	989,215	610,163
Cash and Other investment balances	42,729	0.3	42,857	42,601
<b>Total Assets</b>	<b>4,287,700</b>		<b>5,073,795</b>	<b>3,501,605</b>

# Notes to the Pension Fund Accounts (continued)

## Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's interest rate risk is routinely monitored by the Council and its investment consultant in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks. The Fund's direct exposure to interest rate movements as at 31 March 2023 and 31 March 2022 is set out to the right. These disclosures present interest rate risk based on the underlying financial assets at fair value.

## Interest rate risk sensitivity analysis

The Council recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. An 80 basis point (BPS) (i.e. 0.80%) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy. The Fund's investment consultant has advised that long-term average rates are expected to move less than 80 basis points from one year to the next and experience suggests that such movements are likely. The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS (1.0%) change in interest rates:

31-Mar-22	Asset Type	31-Mar-23
£000		£000
19,850	Cash and cash equivalents	11,448
8,027	Cash balances	13,912
210,791	Index-linked securities	197,030
456,530	Fixed interest securities	455,922
<b>695,198</b>	<b>Total</b>	<b>678,312</b>

Exposure to interest rate risk	Asset values 31-Mar-23 £000	Impact of 1% decrease £000	Impact of 1% increase £000
Cash and cash equivalents	11,448	11,448	11,448
Cash balances	13,912	13,912	13,912
Index-linked securities	197,030	199,000	195,060
Fixed interest securities	455,922	460,481	451,363
<b>Total change in assets available</b>	<b>678,312</b>	<b>684,841</b>	<b>671,783</b>

Exposure to interest rate risk	Asset values 31-Mar-22 £000	Impact of 1% decrease £000	Impact of 1% increase £000
Cash and cash equivalents	19,850	19,850	19,850
Cash balances	8,027	8,027	8,027
Index-linked securities	210,791	212,899	208,683
Fixed interest securities	456,530	461,095	451,965
<b>Total change in assets available</b>	<b>695,198</b>	<b>701,871</b>	<b>688,525</b>



# Notes to the Pension Fund Accounts (continued)

Exposure to interest rate risk	Interest receivable	Value on 1% increase	Value on 1% decrease
	2022-23		
	£000	£000	£000
Cash deposits, cash and cash equivalents	1,025	1,035	1,015
Index-linked securities	994	1,004	984
Fixed interest securities	6,689	6,756	6,622
<b>Total</b>	<b>8,708</b>	<b>8,795</b>	<b>8,621</b>

Exposure to interest rate risk	Interest receivable	Value on 1% increase	Value on 1% decrease
	2021-22		
	£000	£000	£000
Cash deposits, cash and cash equivalents	29	29	29
Index-linked securities	780	788	772
Fixed interest securities	1,950	1,970	1,931
<b>Total</b>	<b>2,759</b>	<b>2,787</b>	<b>2,732</b>

This analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances. Changes to both the fair value of the 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 future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (GBP). The Fund holds both monetary and non-monetary assets denominated in currencies other than GBP.

The Fund's currency rate risk is routinely monitored by the Investment Sub Committee and its investment advisers in accordance with the Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

The Fund partially hedges its currency exposures on equity investments by transferring into currency hedged share classes of its passive equity funds.

# Notes to the Pension Fund Accounts (continued)

## Currency risk – sensitivity analysis

Following analysis of historical data with the Fund's advisers, the Council considers the likely volatility associated with foreign exchange rate movements to be 9.9% (the 1 year expected standard deviation). A 9.9% (31 March 2022: 9.5%) fluctuation in the currency is considered reasonable based on the Fund adviser's analysis of long-term historical movements in the month-end exchange rates over a rolling 36 month period. This analysis assumes that all other variables, in particular interest rates, remain constant. A 9.9% strengthening/weakening of the pound against the various currencies in which the fund holds investments would decrease/increase the net assets available to pay benefits as follows.

Assets exposed to currency risk	Value at	Potential market movement	Value on increase	Value on decrease
	31-Mar-23			
	£000	£000	£000	£000
Overseas equities - Hedged	513,465	0	513,465	513,465
Overseas equities - Unhedged	1,774,751	175,700	1,950,451	1,599,051
Overseas fixed income	455,922	45,136	501,058	410,786
Overseas cash fund	11,941	1,182	13,123	10,759
<b>Total</b>	<b>2,756,079</b>	<b>222,018</b>	<b>2,978,097</b>	<b>2,534,061</b>

Assets exposed to currency risk	Value at	Potential market movement	Value on increase	Value on decrease
	31-Mar-22			
	£000	£000	£000	£000
Overseas equities - Hedged	536,846	0	536,846	536,846
Overseas equities - Unhedged	1,848,214	175,580	2,023,794	1,672,634
Overseas fixed income	456,530	43,370	499,900	413,160
Overseas cash fund	23	2	25	21
<b>Total</b>	<b>2,841,613</b>	<b>218,952</b>	<b>3,060,565</b>	<b>2,622,661</b>

## b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect 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 form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment or receipts that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties. Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency. Deposits are not made with banks and financial institutions unless they are rated independently and meet the Council's credit criteria. The Council has also set limits as to the maximum amount of deposits placed with any one class of financial institution.

# Notes to the Pension Fund Accounts (continued)

The Council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectible deposits over the past five financial years. The Fund's cash holding under its treasury management arrangements at 31 March 2022 was £25.4m (31 March 2022: £27.8m). This was held with the following institutions:-

	Rating	31-Mar-22 £000	31-Mar-23 £000
<b>Money market funds</b>			
Northern Trust Global Investors Global Cash Fund	AAAm	1,249	1
<b>Bank deposit account</b>			
Barclays Bank	A-1	34	0
NatWest Bank	A-2	7,993	13,912
<b>Bank current accounts</b>			
Northern Trust custody accounts	A-1+	18,601	11,447
<b>Total</b>		<b>27,877</b>	<b>25,360</b>

## c) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments. This will particularly be the case for cash from the cash flow matching mandates from the main investment strategy to meet the pensioner payroll costs; and also cash to meet investment commitments.

The Fund has immediate access to its cash holdings, with the exception of holdings that are for a fixed term when the deposit is placed. 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 than three months to convert in to cash. As at 31 March 2023 the value of illiquid assets was £1,147m, which represented 27.2% of the total Fund assets (31 March 2022: £1,101m, which represented 25.7% of the total Fund assets).

Management prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund investment strategy. All financial liabilities at 31 March 2023 are due within one year.

## d) Refinancing risk

A key risk for a Pension Fund is that it may be bound to replenish a significant proportion of its Pension Fund financial instruments at a time of unfavourable interest rates. The Fund does not have any financial instruments that have a refinancing risk as part of its investment strategy.

# Notes to the Pension Fund Accounts (continued)

## 19. FUNDING ARRANGEMENTS

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates 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 and will be published in 2026.

The key elements of the funding policy are:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient Funds to pay benefits to members and their dependants
- use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency
- where appropriate, ensure stable employer contribution rates
- reflect different employers' characteristics to set their contribution rates, using a transparent Funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a maximum period of 20 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Solvency is achieved when the funds held, plus future expected investment returns and future contributions are sufficient to meet expected future pension benefits payable. Where an employer's funding level is less than 100%, a deficit recovery plan is put in place requiring additional contributions from the employer to meet the shortfall.

At the 2022 actuarial valuation, the Fund was assessed as 125% funded (100% at the March 2019 valuation). This corresponded to a surplus of £860m (2019 valuation: deficit of £11m) at that time.

The Contribution Objective is achieved by setting employer contributions which are likely to be sufficient to meet both the cost of new benefits accruing and to address any funding deficit relative to the funding target over the agreed time horizon. A secondary objective is to maintain where possible relatively stable employer contribution rates. For each employer in the Fund, to meet the Contribution Objective, a primary contribution rate has been calculated in order to fund the cost of new benefits accruing in the Fund. Additionally, if required, a secondary contribution rate has also been calculated to target a fully funded position within the employer's set time horizon.

The table below summarises the whole fund Primary and Secondary Contribution rates at the 2022 triennial valuation. These rates are the payroll weighted average of the underlying individual employer primary and secondary rates, calculated in accordance with the Regulations and CIPFA guidance.

Primary Rate %	Secondary Rate		
1 April 2023 to 31 March 2026	2023-2024	2024-2025	2025-2026
18.4%	£16,449,000	£14,485,000	£13,144,000

The Primary rate above includes an allowance of 0.8% of pensionable pay for the Fund's expenses. The average employee contribution rate is 6.4% of pensionable pay. Full details of the contribution rates payable can be found in the 2022 actuarial valuation report and the funding strategy statement on the Fund's website.

# Notes to the Pension Fund Accounts (continued)

## Basis of valuation

The valuation of the Fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were:

## Financial assumptions

A summary of the main financial assumptions adopted for the valuation of members' benefits are shown below.

Assumption	31-Mar-19	31-Mar-22
Price Inflation (CPI)/ Pension increases	2.3%	2.7%
Pay increases	2.8%	3.2%
Discount rate	4.1%	4.9%

## Mortality assumptions

Future life expectancy based on the actuary's fund-specific mortality review was:

Assumed life expectancy at age 65	Active and Deferred Members	Active and Deferred Members	Current Pensioners	Current Pensioners
	Male	Female	Male	Female
2019 valuation	22.7	25.5	22.0	24.0
2022 valuation	22.8	26.1	22.0	24.6

Note that the figures for active and deferred members assume that they are aged 45 at the valuation date.

Various scaling factors have been applied to the mortality tables to reflect the predicted longevity for each class of member and their dependants.

## Other demographic valuation assumptions:

**a) Retirements in ill health** - Allowance has been made for ill-health retirements before Normal Pension Age.

**b) Withdrawals** - Allowance has been made for withdrawals from service.

**c) Retirement age** - The earliest age at which a member can retire with their benefits unreduced

**d) Death in Service** - Allowance has been made for death in service.

**e) Promotional salary increases** - Allowance has been made for promotional salary increases.

**f) Family details** - A varying proportion of members are assumed to have a dependant at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. The dependant of a male member is assumed to be 3 years younger than him and the dependent of a female member is assumed to be 3 years older than her.

**g) Commutation** - 51% of future retirements elect to exchange pension for additional tax free cash up to HMRC limits.

**h) 50:50 option** - 1.0% of members (uniformly distributed across the age, service and salary range) will choose the 50:50 option.

# Notes to the Pension Fund Accounts (continued)

## 20. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the Pension Fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year.

In order to assess the value of the benefits on this basis, the Actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 19). The actuary has also used valued ill health and death benefits in line with IAS 19.

31-Mar-22		31-Mar-23
£m		£m
-5,536	Present value of promised retirement benefits	-3,953
4,305	Fair value of scheme assets (bid value)	4,232
<b>-1,231</b>	<b>Net (Liability) / Asset</b>	<b>279</b>

As noted above, the liabilities are calculated on an IAS 19 basis and therefore will differ from the results of the 2022 triennial funding valuation (see Note 19) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

### Assumptions used

31-Mar-22 % p.a.	Assumption	31-Mar-23 % p.a.
3.20%	Inflation/pension increase rate assumption	2.95
3.70%	Salary increase rate	3.45
2.70%	Discount rate	4.75

# Notes to the Pension Fund Accounts (continued)

## 21. CURRENT ASSETS

31-Mar-22	31-Mar-23
£000	£000
<b>Debtors:</b>	
2,602 Contributions Due – Members	2,007
8,081 Contributions Due – Employers	5,076
5,095 Sundry Receivables	5,292
<b>15,778</b>	<b>12,375</b>
8,027 Cash Balances	13,912
<b>23,805</b>	<b>26,287</b>

## 22. CURRENT LIABILITIES

31-Mar-22	31-Mar-23
£000	£000
5,146 Sundry Payables	4,892
927 Benefits Payable	859
<b>6,073</b>	<b>5,751</b>

## 23. ADDITIONAL VOLUNTARY CONTRIBUTIONS

31-Mar-22	31-Mar-23
£000	£000
8,629 Prudential	8,489
320 Utmost	275
<b>8,949</b>	<b>8,764</b>

Total contributions of £735K (2021-22: £663K) were paid directly to Prudential during the year. No new contributions were paid to Utmost during the year, as it is a closed arrangement.

## 24. AGENCY

Agency Services represent activities administered by the Fund on behalf of scheme employers which are not included within the Fund Account but are provided as a service and are fully reclaimed from the employer bodies.

31-Mar-22	31-Mar-23
£000	£000
3,418 Unfunded pensions	3,377
<b>3,418</b>	<b>3,377</b>

# Notes to the Pension Fund Accounts (continued)

## 25. RELATED PARTY TRANSACTIONS

### Cambridgeshire County Council

The Cambridgeshire County Council Pension Fund is administered by Cambridgeshire County Council. Consequently there is a strong relationship between the Council and the Fund. The Council incurred costs of £2.9m (2021-22: £2.5m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses.

The Council is also the single largest employer of members of the Pension Fund and contributed £31.7m, excluding Local Education Authority schools, to the Fund in 2022-23 (2021-22: £29.1m). At 31 March 2023 there was £7.1m (31 March 2022: £7.2m) due to the Fund by the Council.

### Governance

No members of the Pension Fund Committee declared a personal interest due to either being a member of the scheme themselves or having a family member in the scheme. However, the following members are a member of the scheme themselves;

Matthew Pink and John Walker.

The following member are on the Board of an employer body in the Pension Fund:

Cllr Sharp, Cllr Boden and Lee Phanco

County Council members have declared their interests in their Register of Members' Interests. Other members of the Pension Fund Board are required to declare their interests at each meeting.

### Cambridge and Counties Bank

The Fund is joint owner, along with Trinity Hall, Cambridge, of Cambridge and Counties Bank (CCB). As the Fund has no controlling interest in the Bank and it is included within the Fund's financial statements as a minority interest. Each shareholder is entitled to appoint one shareholder Non Executive Director to the Board of CCB. The Fund is represented by an external party to the Pension Fund (See Note 5).

## ACCESS Pool

The Fund is working with ten like-minded LGPS funds to implement the ACCESS asset pool in response to the Government's LGPS reform agenda. On 31 March 2023, the Cambridgeshire Fund had invested £1,687.8m in sub-funds of the ACCESS Authorised Contractual Scheme and £884.7m in the UBS passive arrangement resulting in £2,572.5m of assets under pool management representing 61.0% of the Fund's assets.

During 2022/23 a total of £106.9k was charged to the Pension Fund by ACCESS asset pool in respect of operating costs (£95.2k in 2021/22).

## 25(a) KEY MANAGEMENT PERSONNEL

The administration of the Fund is provided by West Northamptonshire Council in partnership with Cambridgeshire County Council. The Head of Pensions reports directly to Assistant Director of Finance at West Northamptonshire Council, whose costs are reported in the West Northamptonshire Council statement of accounts. Other key personnel include the Cambridgeshire Section 151 Officer, who is Treasurer to the Fund. The Section 151 Officer is remunerated for their services to the organisation as a whole and it is not possible to identify within the overhead charge from the proportion of costs relating to these services to the Fund.

## 26. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding contractual commitments at 31 March 2023 totalled £313.8m (31 March 2022: £304.3m).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity and infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over a period of between three and fifteen years from the date of each original commitment.

Twelve admitted body employers in the Cambridgeshire Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Pension Fund and payment will only be triggered in the event of employer default, and usually only in the event of premature cessation.



# Glossary

**ACCRUAL** An amount to cover income or spending that belongs to the accounting year, which was outstanding at the accounting date.

**ACTUARY** An independent company which advises on the assets and liabilities of the Fund with the aim to ensure that the payment of pensions and future benefits are met.

**ACS** Authorised Contractual Scheme.

**ADMITTED BODIES** Voluntary and charitable bodies whose staff can become members of the Local Government Pension Scheme subject to certain terms and conditions and other organisations to whom Local Government employees have been transferred under the outsourcing of Local Government services.

**BENEFICIAL OWNER** The true owner of a security regardless of the name in which it is registered.

**BOND** Security issued by a corporate or government body borrowing in the capital markets. Bonds promise to pay interest (coupons) during the life of the bond plus the principal sum borrowed on the redemption date. Bonds may be secured over assets of the firm or be unsecured.

**CASH EQUIVALENTS** Assets which are readily convertible into cash.

**CIPFA** Chartered Institute of Public Finance and Accountancy

**COMMUTATION** Giving up part or all of the pension payable from retirement in exchange for an immediate lump sum. Commutation factors (usually calculated by the Scheme Actuary) are used to determine the amount of pension which needs to be given up in order to provide the lump sum.

**CONTINGENT ASSETS AND LIABILITIES** Are assets and liabilities that may or may not be incurred depending on the outcome of a future event.

**CONVERTIBLE** Unsecured loan stock (bond) which converts into equity of the issuing company. The UK Government also issues convertible gilts which convert into other government stock.

**COUPON** The regular payment made on bonds.

**CURRENT ASSETS** Short-term assets such as inventories, receivables and bank balances.

**CURRENT LIABILITIES** Amounts owed which are due to be settled in less than one year, such as bank overdrafts and money owed to suppliers.

**CUSTODIAN** An external body responsible for ensuring Fund assets are registered in the name of the Fund, managing the settlement of trades entered into by the Fund, collecting income arising on Fund assets and reporting transactions and values to the Fund on a regular basis.

**DEFERRED PENSION BENEFIT** A pension benefit which a member has accrued but is not yet entitled to receive.

**DEFICIT** An outcome as a result of taking away all expenses from income. Additionally, the Fund is in deficit when the liabilities are larger than assets.

**DERIVATIVE** A financial instrument derived from a security, currency or commodity, or an index indicator representing any of these, the price of which will move in a direct relationship to the price of the underlying instrument. Derivatives can be used for a number of purposes - including insuring against price movements (hedging), increasing exposure to price movements for speculation or getting access to otherwise hard to trade assets or markets.

**DIVIDEND** The distribution of profits by a company to its shareholders. The dividend may be passed or cut if profits fall. [See also Equities]

**EQUITIES** Shares representing the capital of a company issued to shareholders usually with voting rights on the way the company runs the business. Equity holders rank last in the event of the winding up of a company.

**FINANCIAL INSTRUMENTS** Contracts which give rise to a financial asset of one entity and a financial liability or equity instrument of another.

**FIXED INTEREST CORPORATE BOND** A certificate of debt issued by a company or institution in return for a fixed rate interest with a promise of redemption to repay the original sum.

**FTSE-100 INDEX** The main UK index used to represent the approximate price movements of the top 100 shares.

# Glossary (continued)

**FTSE All Share Index** Summarises the state of the UK equity market. It covers some 900 of the major UK industrial, commercial and financial companies.

**FUTURES** Instruments which give a buyer the right to purchase a commodity at a future date.

**GMP** Guaranteed Minimum Pension.

**HEDGE** To protect a fund from a fall in prices. This is usually accomplished by the selling of futures.

**IDRP** Internal Dispute Resolution Procedures

**INDEX LINKED** Stock whose value is related directly to an index, usually the Retail Price Index and therefore provides a hedge against inflation.

**INTEREST YIELD** The annual coupon on a bond divided by the price of a bond which is quoted without accrued interest.

**INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)** Accounting Standards, Interpretations and the Framework adopted by the International Accounting Standards Board (IASB).

**ISC** Investments Sub-Committee.

**LOAN STOCK** Unsecured bonds, which may be convertible if they have a warrant attached.

**LPB** Local Pension Board.

**OFFER PRICE** The price at which market makers will sell stock.

**ORDINARY SHARES 'A'** Shares which confer full voting and dividend rights to the Owner.

**PENSION STRAIN** Charges to employers to cover discretionary early retirement costs, which are the responsibility of the employer, recovered in the first year of retirement in full.

**PFC** Pension Fund Committee.

**PLSA** Pensions and Lifetime Savings Association.

**PORTFOLIO** A collection of investments. This can refer to the investments managed by a particular Investment Manager, or to describe the whole Fund's investments.

**RAG** Red, Amber and Green.

**RELATED PARTY** A person or an organisation which has influence over another person or organisation.

**SAB** Scheme Advisory Board.

**SCHEDULED BODIES** Local Authorities and similar bodies whose staff are entitled automatically to become members of the local Authority Pension Fund.

**STOCK** Shares (e.g. Common stock). However, UK Gilts are more correctly described as stock.

**SURPLUS** An outcome as a result of taking away all expenses from income. Additionally, the Fund is in surplus when the assets are larger than liabilities.

**TRANSFER VALUES** Sums which are paid either to or received from other pension schemes and relate to new and former members' periods of pensionable employment with employers participating in the scheme.

**TREASURY MANAGEMENT** A process which plans, organises and controls cash, investments and borrowings so as to optimise interest and currency flows, and minimise the cost of funds.

**UNFUNDED** Pension benefits not funded by the Pension Fund. Benefits are fully reclaimed from the employer bodies.

**UNIT TRUST** An open-ended trust investing in a wide spread of stocks, shares and cash (subject to FSA limits). Investors buy units directly from the Investment manager to participate in a diversified portfolio. Unit trusts are subject to FSA investment and borrowing regulations.

**WARRANTS** Long dated options warrants give the holder the right to buy/sell a specified quantity of a particular stock, or any other asset, at a fixed price on or before a specified date.

# Cambridgeshire Pension Fund Audit Results Report

**Year Ended 31 March 2023**

17 November 2023



Audit and Accounts Committee / Pension Fund Committee  
Cambridgeshire County Council  
New Shire Hall  
Emery Crescent Enterprise Campus  
Alconbury Weald, Huntingdon  
PE28 4YE

17 November 2023

Dear Audit and Accounts Committee / Pension Fund Committee Members,

We are pleased to attach our audit results report, summarising the status of our audit for the forthcoming meeting of the Audit and Accounts Committee. This report summarises our preliminary audit conclusion in relation to the audit of Cambridgeshire Pension Fund for 2022/23.

The audit is designed to express an opinion on the 2022/23 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Cambridgeshire Pension Funds accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge, the exercise of professional judgement and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process.

This report is intended solely for the information and use of the Audit and Accounts Committee and Pension Fund Committee, other members of the Pension Fund, and senior management. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Audit and Accounts Committee meeting on 1 December 2023.

Yours faithfully

*MARK HODGSON*

Mark Hodgson  
Associate Partner  
For and on behalf of Ernst & Young LLP  
Enc



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05	Other Reporting Issues	06	Assessment of Control Environment	07	Independence	08	Appendices

Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/psaa-statement-of-responsibilities-of-auditors-and-audited-bodies-up-to-2022-23/>). The statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance from July 2021" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit and Accounts Committee, Pension Fund Committee, and management of Cambridgeshire Pension Fund in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Accounts Committee, Pension Fund Committee, and management of Cambridgeshire Pension Fund those matters we are required to state to them in this 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 Audit and Accounts Committee, Pension Fund Committee, and management of Cambridgeshire Pension Fund for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



# 01 Executive Summary





# Executive Summary

## Scope update

In our Audit Plan presented to the 12 September 2023 Audit and Accounts Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan. We have not made any revisions to the audit risks and planned audit procedures set out within the Audit Plan.

A summary of our approach to the audit of the balance sheet including any changes to that approach from the prior year audit is included in Appendix A.

## Status of the audit

Our audit work in respect of the Pension Fund opinion is substantially complete. The following audit procedures were outstanding at the date of this report:

### Closing Procedures

- Subsequent events review;
- Agreement of the final set of accounts;
- Receipt of signed management representation letter; and
- Final Manager and Engagement Partner reviews.

Details of each outstanding item, actions required to resolve and responsibility is included in Appendix D. Subject to satisfactory completion of the following outstanding items above, we expect to issue an unqualified opinion upon the Pension Fund's Financial Statements. We are currently unable to provide a definitive timeline for the formal conclusion and audit opinion for the audit, due to the need to first conclude on the ongoing 2021/22 audit as part of the closure of the Cambridgeshire County Council (the Pension Fund accounts form a part of the Council's financial statements) and the need to consider the audit arrangements for the 2022/23 audit of Cambridgeshire County Council. We will, provide an update on this matter as soon as we are practicably able to do so.

## Audit differences

### Uncorrected Differences

There are no uncorrected audit differences to report as a result of our audit.

### Corrected Differences

There have been two corrected audit differences identified through our audit procedures. The first difference relates to the valuation of Cambridge & Counties Bank (CCB). This difference relates to an amendment made from the version of the draft financial statements originally published within the Cambridgeshire County Council accounts, which erroneously did not include the updated CCB valuation. The revised draft financial statements include the updated 2022/23 valuation for CCB of £69.7 million, which is £15.7 million lower than in the original version (£85.4 million). This change was made prior to the commencement of our audit.

The other difference relates to the level 3 Investment asset balance within the Net Asset Statement, which initially included a number of estimated asset valuations for the Level 3 assets. The value of these assets were based on December 2022 audited valuations adjusted for cash flows through to the 31 March 2023. Subsequent to the preparation of the Pension Fund's Draft Statement of Accounts, actual valuations for these Level 3 assets were received from fund managers for the Level 3 assets as at the 31 March 2023. This showed that the Investment asset balance was understated by £12.847 million.

### Disclosure Differences

We also identified a limited number of minor audit disclosure differences in the financial statements, which have been adjustment by Management.



# Executive Summary (cont'd)

## Areas of audit focus

In our Audit Plan we identified a number of key areas of focus for our audit of the financial report of Cambridgeshire Pension Fund. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is explained within Section 2 of this report and summarised below.

### Misstatements due to fraud or error – management override and incorrect posting of investment journals

- We have completed our testing and found no material errors or indication of management override of controls.

### Unusual Investments – Cambridge and Counties Bank (CCB)

- We identified an audit difference in the valuation of Cambridge & Counties Bank (CCB). This difference relates to the valuation of Cambridge & Counties Bank (CCB). This difference relates to an amendment made from the version of the draft financial statements originally published within the Cambridgeshire County Council accounts, which erroneously did not include the updated CCB valuation. The revised draft financial statements include the updated 2022/23 valuation for CCB of £69.7 million, which is £15.7 million lower than in the original version (£85.4 million).
- We have completed our work in this area and have no further matters to report.

### Valuation of Level 3 Complex Investments (Unquoted Investments)

- We have completed our work in this area. We have highlighted one audit difference as a result of the receipt of updated valuation information in respect of these Level 3 Investment assets, resulting in an understated valuation of £12.847 million. Management intend to correct this in the final version of the accounts.

### Valuation of Level 2 Investments (Pooled Investments)

- We have completed our work in this area and have no matters to report.

### IAS 26 Disclosure – Actuarial Value of Promised Retirement Benefits

- We have completed our work in this area and have no matters to report.

We request that you review these and other matters set out in this report to ensure:

- There are no residual further considerations or matters that could impact these issues;
- You concur with the resolution of the issue; and
- There are no further significant issues you are aware of to be considered before the financial report is finalised.

There are no matters, other than those reported by Management or disclosed in this report, which we believe should be brought to the attention of the Audit and Accounts Committee, the Pension Fund Committee, or Management.





# Executive Summary (cont'd)

## Control observations

During the audit, we did not identify any significant deficiencies in internal control.

## Independence

Please refer to Section 7 for our update on Independence.



02

## Areas of Audit Focus

# Areas of Audit Focus

## Misstatements due to fraud or error – management override and incorrect posting of investment journals

### What is the risk, and the key judgements and estimates?

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We have considered the specific areas where management has the opportunity and incentive to override controls that could affect the Fund Account and the Net Asset Statement.

The valuation of investment assets and income are key metrics for measuring the performance of the Pension Fund. These values are taken from the custodian reports and posted to the general ledger through journals. We consider that management has an incentive to increase these values reported in the financial statements and is in a unique position to influence the posting of investment income and year end investment asset valuation journals. There is therefore a risk that this may result in misstatement either due to fraud or error.

We have therefore identified investment asset and income journals as a fraud risk.

### Our response to the key areas of challenge and professional judgement

As set out in the Audit Plan, we have performed the below procedures:

- ▶ Identified fraud risks during the planning stages;
- ▶ Inquired of management about risks of fraud and the controls put in place to address those risks;
- ▶ Understood the oversight given by those charged with governance of management's processes over fraud;
- ▶ Considered the effectiveness of management's controls designed to address the risk of fraud;
- ▶ Determined an appropriate strategy to address those identified risks of fraud; and
- ▶ Performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.

To respond to the specific fraud risk we have identified relating to the incorrect posting of journals, we performed the following additional audit procedures:

- ▶ Undertook a review of reconciliation to the fund managers and custodian reports and investigate any reconciling differences;
- ▶ Reperformed the detailed investment note using the reports we have acquired directly from the custodian or fund managers;
- ▶ Checked the reconciliation of holdings included in the Net Assets Statement back to the source reports; and
- ▶ For quoted investment income we agreed the reconciliation between Fund Managers and Custodians and ensure the amounts are consistent with Fund Managers and Custodian Reports.

We utilised our data analytics capabilities to assist with our work, including journal entry testing. We assessed journal entries for evidence of management bias and evaluated the business rationale for each journal selected for testing.

# Areas of Audit Focus (cont'd)

## Misstatements due to fraud or error - management override and incorrect posting of investment journals (cont'd)

### What are our conclusions?

Our testing has not identified any material misstatements within investment journals as a result of the journal postings from the Custodian report to the financial ledger.

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

We did not identify any other transactions during our audit which appeared unusual or outside the Fund's normal course of business.



# Areas of Audit Focus (cont'd)

## Significant Risk: Unusual Investments - Cambridge and Counties Bank (CCB)

### What is the risk, and the key judgements and estimates?

The Pension Fund's investment in Cambridge and Counties Bank (CCB) is a hard to value, Level 3 investment. This is because of a lack of observable inputs and prices which are not publicly available.

The CCB investment is based on valuations provided by a management specialist - Grant Thornton (GT). GT used a markets multiple approach in the prior year looking at price earnings ratio and price to book ratios, considering current and forecast earnings and ratios.

### Our response to the key areas of challenge and professional judgement

As set out in our Audit Plan we confirm that we have performed the following procedures:

- ▶ Engaged with EY Transaction Valuation team who have undertaken a review of the valuation model provided by GT, considering the appropriateness of the assumptions and inputs used in determining the valuation;
- ▶ Ensured that the CCB investment has been valued in accordance with the relevant accounting policies; and
- ▶ The audit team have tested the accounting entries made in the Statement of Accounts to ensure they are consistent with the valuation provided by Management's expert - GT.

### What are our conclusions?

We have an audit difference in the valuation of Cambridge & Counties Bank (CCB). This difference relates to an amendment made from the version of the financial statements originally published within the draft Cambridgeshire County Council accounts, which erroneously did not include the updated CCB valuation. The revised draft financial statements include the updated 2022/23 valuation for CCB of £69.7 million, which is £15.7 million lower than in the original version (£85.4 million). It is this number that we then performed our audit procedures against.

Management's Expert (GT) utilised a Market Approach to the valuation which gave rise to valuation within a range of £66.8 million to £72.6 million (Cambridgeshire Pension Fund share). Our valuation team used a Dividend Discount Model (DDM) as their valuation approach. The DDM approach is considered best practice and confirmed a fair valuation for the Pension Fund's share as being within a £67.0 million and £78.0 million range. The investment is held at £69.7 million within the Pension Fund's financial statements, which is therefore reasonable.

The two approaches do not provide significantly different ranges, hence we have concluded that the valuation of Cambridge and Counties Bank is reasonable. We have not identified any instances of inappropriate judgements being applied, or bias in the application of assumptions or judgements.

Based on the work we have undertaken we are satisfied that the management specialist valuation is within the range of best practice and is materially accurate.

# Areas of Audit Focus (cont'd)

## Significant Risk: Valuation of Level 3 Complex Investments (Unquoted Investments)

### Our response to the key areas of challenge and professional judgement

As set out in our Audit Plan, we confirm that we have performed the following procedures:

- Assessed the competence of Management's experts;
- Reviewed the basis of valuation for property investments and other unquoted investments and assessing the appropriateness of the valuation methods used;
- Where available, reviewed the latest audited accounts for the relevant fund managers and ensured there are no matters arising that highlight material differences in the reported funds valuation within the financial statements;
- Performed analytical procedures and checked the valuation output for reasonableness against our own expectations;
- Obtained and reviewed internal control reports for fund managers for any internal control issues and assessing whether this would have an impact on the valuations provided by the fund managers; and
- Reviewed investment valuation disclosures to verify that significant judgements surrounding the valuation of Level 3 investments have been appropriately made in the Pension Fund's financial statements.

### What is the risk, and the key judgements and estimates?

The Fund's investments include unquoted pooled investment vehicles such as Private Equity, Infrastructure and Property Investments. The valuation of such investments are classified under IFRS 13 as Level 3 investments. As such the valuation of Level 3 Investments are based on 'unobservable' inputs.

Judgements are made by the fund managers to value these investments whose prices are not publicly available.

The material nature of this type of investment, means that any error in judgement could result in a material valuation error. Increasing market volatility means such judgments can quickly become outdated, especially when there is a significant time period between the latest available audited information and the fund year end. Such variations could therefore have a material impact on the carrying value of the investments within the financial statements.

In the 2022/23 draft accounts, approximately 27% of the value of the overall Fund, totalling £1.134 billion, is within this investment type. As these investments are more complex to value, we have identified the Fund's investments in private equity and pooled property investments as a higher risk estimate, as even a small movement in the valuation assumptions could have a material impact on the financial statements.

### What are our conclusions?

We have identified one audit difference through our testing procedures.

The Investment asset balance within the Net Assets Statement included a number of estimated asset valuations for Level 3 assets. The value of these assets were based on December 2022 audited valuations adjusted for cash flows through to the 31 March 2023. Subsequent to the preparation of the Pension Fund's Draft Statement of Accounts, actual valuations for these Level 3 assets were provided by the Fund managers for the 31 March 2023. This showed that the Investment asset balance was understated by £12.847 million in respect of these Level 3 assets. Management intend to adjust for this updated valuation within the revised final statements.

We have not identified any other issues in the completion of our work.

# Areas of Audit Focus (cont'd)

## Valuation of Level 2 Investments (Pooled Investments)

### Our response to the key areas of challenge and professional judgement

As set out in our Audit Plan, we confirm that we have performed the following procedures:

- Assessed the competence of management experts;
- Reviewed the basis of valuation for Pooled Investments and assessing the appropriateness of the valuation methods used;
- Reviewed the observable data points used in the calculation of the investment valuation;
- Obtained and reviewed internal control reports for fund managers for any internal control issues and assessing whether this would have an impact on the valuations provided by the fund managers; and
- Reviewed investment valuation disclosures to verify that significant judgements surrounding the valuation of Level 2 investments have been appropriately made in the Pension Fund's financial statements.

### What is the risk, and the key judgements and estimates?

The Fund's investments also include other Pooled Investment vehicles, totalling £2.854 billion in the 2022/23 draft financial statements.

The valuation of such investments are classified under IFRS 13 as Level 2 Investments. As such the valuation of Level 2 investments are based on 'inputs from observable data'. Given this is an estimate, we have raised an Inherent risk in regard to the valuation of assets of this nature.

### What are our conclusions?

Our testing has not identified any material misstatements within the valuation of Level 2 investments.

We have not identified any instances of inappropriate judgements being applied, or bias in the application of assumptions or judgements.

# Areas of Audit Focus (cont'd)

## IAS 26 Disclosure -Actuarial Present Value of Promised Retirement Benefits

### Our response to the key areas of challenge and professional judgement

As set out in our Audit Plan, we confirm that we have performed the following procedures:

- ▶ Assessed the competence of managements expert, Hymans Robertson;
- ▶ Engaged with the NAO's consulting actuary and our EY Pensions Advisory Team to review the IAS 26 approach applied by the actuary are reasonable and compliant with IAS 26;
- ▶ Ensured that the IAS 26 disclosure is in line with the relevant standards and consistent with the valuation provided by the Actuary; and
- ▶ Reconciled the data provided to actuary for the triennial valuation;
- ▶ Tested 25 members per report included in the triennial valuation data submission to ensure the details agree to underlying records.

### What is the risk, and the key judgements and estimates?

The Fund's IAS 26 calculation shows that the present value of promised retirement benefits amount to £3.953 billion as at 31 March 2023.

The figure is material and subject to complex estimation techniques and judgements by the Actuary, Hymans Robertson. The estimate is based on the 2022/23 triennial valuation, which resulted in further audit procedures being required. This estimate includes local factors such as mortality rates and expected pay rises along with other assumptions around inflation and investment yields when calculating the liability.

There is therefore a risk that the valuation uses inappropriate assumptions to value the liability as at 31 March 2023. There is also a risk that the membership data and cash flows provided to the actuary as at 31 March may not be correct.

### What are our conclusions?

We did not identify any issues with the competence of the actuary, Hymans Robertson.

There were no significant changes in the IAS 26 approach or methodology and the assumptions used in calculating the IAS 26 figure was considered reasonable and compliant with the requirements of the accounting standard.

The disclosure of IAS 26 (Note 20) was in line with the relevant standards and the valuation provided by the Actuary.





## 03 Audit Report

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAMBRIDGESHIRE COUNTY COUNCIL ON THE PENSION FUND'S FINANCIAL STATEMENTS

#### Opinion

We have audited the Pension Fund ("the Fund") financial statements for the year ended 31 March 2023 under the Local Audit and Accountability Act 2014 (as amended). The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 26.

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 2022/23.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2023 and the amount and disposition at that date of the its assets and liabilities as at 31 March 2023 ; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Council as administering authority for the Pension Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, 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

In auditing the financial statements, we have concluded that the Executive Director of Finance & Resources's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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 authority's ability to continue as a going concern for a period of 12 months from when the Fund's financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Executive Director of Finance & Resources with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

# Audit Report (cont'd)

## Draft Audit Report

### Other information

The other information comprises the information included in the 'Statement of Accounts 2022-23', other than the financial statements and our auditor's report thereon. The Executive Director of Finance & Resources is responsible for the other information contained within the 'Statement of Accounts 2022-23'.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of 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 financial statements themselves. 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.

### Matters on which we report by exception

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended);
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended);
- 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 (as amended);
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended); or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended).

We have nothing to report in these respects.

### Responsibility of the Executive Director of Finance & Resources

As explained more fully in the Statement of Responsibilities, Certificate and Approval of Accounts set out on pages 21-22, the Executive Director of Finance & Resources is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund 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 2022/23, and for being satisfied that they give a true and fair view. The Executive Director of Finance & Resources is also responsible for such internal control as the Executive Director of Finance & Resources determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director of Finance & Resources is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Administering Authority either intends to cease operations, or has no realistic alternative but to do so.

# Audit Report (cont'd)

## Draft Audit Report

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes 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.

### 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 irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with the Executive Director of Finance & Resources

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Fund and determined that the most significant are the Local Government Pension Scheme Regulations 2013 (as amended), and The Public Service Pensions Act 2013.
- We understood how the Fund is complying with those frameworks by making enquiries of the management. We corroborated this through our reading of the Pension Committee minutes, Pension Fund policies and procedures and other information.
- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of the management for their awareness of any non-compliance of laws or regulations, inspecting correspondence with the Pensions Regulator and review of minutes.
- We assessed the susceptibility of the Fund's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements and documenting the controls that the Fund has established to address risks identified, or that otherwise seek to prevent, deter or detect fraud.
- In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any identified significant transactions that were unusual or outside the normal course of business. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- To address our fraud risk we tested the consistency of the investment asset valuation from the independent sources of the custodian and the fund managers to the financial statements.
- The Fund is required to comply with The Local Government Pensions Scheme regulations, other legislation relevant to the governance and administration of the Local Government Pension Scheme and requirements imposed by the Pension Regulator in relation to the Local Government Pension Scheme. As such, we have considered the experience and expertise of the engagement team including the use of specialists where appropriate, to ensure that the team had an appropriate understanding of the relevant pensions regulations to assess the control environment and consider compliance of the Fund with these regulations as part of our audit procedures.



# Audit Report (cont'd)

## Draft Audit Report

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

### Use of our report

This report is made solely to the members of Cambridgeshire County Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Cambridgeshire County Council and its members as a body, for our audit work, for this report, or for the opinions we have formed.



## 04 Audit Differences



# Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as 'known' or 'judgemental'. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

## Summary of adjusted differences

We highlight the following misstatements identified during the course of our audit. These misstatements have been corrected by Management.

### Corrected differences

With the exception of minor disclosure items, there have been two corrected differences identified throughout our audit.

1. **Net Asset Statement - Valuation of Level 3 Asset - Cambridge & Counties Bank (CCB).** This difference relates to an amendment made from the version of the accounts originally published within the draft Cambridgeshire County Council financial statements, which erroneously did not include the updated CCB valuation. The updated draft financial statements include the updated 2022/23 valuation for CCB of £69.7 million, which is £15.7 million lower than in the original version (£85.4 million).
2. **Net Asset Statement - Valuation of Level 3 Assets (excluding CCB).** The Investment asset balance within the Net Asset Statement included a number of estimated asset valuations for Level 3 assets. The valuation of these assets was based on December 2022 audited valuations adjusted for cash flows through to the 31 March 2023. Subsequent to the preparation of these Pension Fund's Draft Statement of Accounts, updated valuations for these Level 3 assets were provided by the fund managers for the 31 March 2023 audited position. This showed that the Level 3 investment asset balance was understated by £12.847 million.

### Disclosure differences

Our audit has identified a limited number of minor misstatements which our team have highlighted to Management for amendment. These have been corrected during the course of the audit and relate to disclosure and presentational matters in both the Annual Accounts and Annual Report. We do not consider any of these following misstatements to be so significant as to merit bringing to your attention.

## Summary of unadjusted differences

There are no uncorrected differences identified throughout our audit.





05

## Other Reporting Issues



# Other Reporting Issues

## Consistency of other information published with the financial statements

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2022/23 with the audited Pension Fund financial statements. We have no inconsistencies to draw to your attention.

In addition, we also perform procedures to ensure the consistency of the Pension Fund accounts with the version presented in the Pension Fund's Annual Report. We have no issues to draw to your attention.

## Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We had no reason to exercise these duties.

# Other Reporting Issues (cont'd)

## Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Fund's financial reporting process. Such items will include where relevant:

- ▶ Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures
- ▶ Scope of the consolidation, including any exclusion criteria applied to non-consolidated entities if any and whether they are in accordance with the financial reporting framework
- ▶ Significant difficulties, if any, encountered during the audit
- ▶ Significant matters, if any, arising from the audit that were discussed with Management
- ▶ Matters regarding management's process for identifying and responding to the risks of fraud in the entity
- ▶ Disagreements with management, if any arising during the audit
- ▶ Other matters if any, significant to the oversight of the financial reporting process, including the strengths and weaknesses of the finance function and the quality of the financial statement preparation process.
- ▶ Written representations that we are seeking
- ▶ Expected modifications to the audit report
- ▶ Findings and issues regarding the opening balance on initial audits (if applicable)
- ▶ Related parties
- ▶ External confirmations
- ▶ Consideration of laws and regulations, including any significant matters involving actual or suspected non-compliance with laws and regulations or articles of association which were identified in the course of the audit, in so far as they are considered to be relevant in order to enable the audit committee to fulfil its tasks.
- ▶ Use of auditor's external specialists

Other than those areas we have outlined in the previous section, we have nothing to report in respect of these matters.

# Other Reporting Issues (cont'd)

## ISA (UK) 315 (Revised): Identifying and Addressing the Risks of Material Misstatement

ISA 315 is effective from financial year 2022/23 onwards and is the critical standard which drives the auditor's approach to the following areas:

- Risk Assessment
- Understanding the entity's internal control
- Significant risk
- Approach to addressing significant risk (in combination with ISA 330)

The International Auditing & Assurance Standards Board (IAASB) concluded that whilst the existing version of the standard was fundamentally sound, feedback determined that it was not always clear, leading to a possibility that risk identification was not consistent. The aims of the revised standard is to:

- Drive consistent and effective identification and assessment of risks of material misstatement
- Improve the standard's applicability to entities across a wide spectrum of circumstances and complexities ('scalability')
- Modernise ISA 315 to meet evolving business needs, including:
  - how auditors use automated tools and techniques, including data analytics to perform risk assessment audit procedures; and
  - how auditors understand the entity's use of information technology relevant to financial reporting.
- Focus auditors on exercising professional scepticism throughout the risk identification and assessment process.

We set out the findings and conclusions from our work to implement ISA 315 in the table below.

Audit Procedures	Audit findings and conclusions
<p>We obtained an understanding of the IT processes related to the IT applications of the Fund. The Fund has two relevant IT applications for the purposes of our ISA 315 risk assessment. We performed procedures to determine if there are typical controls missing or control deficiencies identified. After determining which process is applicable to each relevant IT application, we reviewed the applicable processes for each IT application.</p> <p>When we have identified controls relevant to the audit that are application controls or IT-dependent manual controls where we do not gain assurance substantively, we performed additional procedures.</p> <p>We reviewed the following processes for the relevant IT applications:</p> <ul style="list-style-type: none"><li>• Manage vendor supplied changes</li><li>• Manage security settings</li><li>• Manage user access</li><li>• Manage entity-programmed changes</li><li>• Job scheduling and managing IT process</li></ul>	<p>No significant issues have been identified in our review of the applicable processes, including the design and implementation effectiveness of relevant controls around the financial statement close process. We have not tested the operation of any controls through this review.</p>



06

## Assessment of Control Environment

# Assessment of Control Environment

## Financial controls

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control.

It is the responsibility of the Pension Fund to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Pension Fund has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As we have adopted a fully substantive approach, we have therefore not tested the operation of controls. We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.





07

## Independence

# Independence

## Relationships

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Fund, and its members and senior management and its affiliates, including all services provided by us and our network to the Fund, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2022 to the date of this report which we consider may reasonably be thought to bear on our independence and objectivity.

## Services provided by Ernst & Young

The table below sets out a summary of the fees that are due to us in relation to the year ended 31 March 2023 in line with the disclosures set out in FRC Ethical Standard and in statute. As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

	Current Year 2022/23	Prior Year 2021/22
	£'s	£'s
Scale Fee - Code work - see <b>Note 1</b>	25,881	17,256
Changes in work required to address professional and regulatory requirements and scope associated with risk	TBC	TBC
Additional work required for specific additional procedures including revised estimates standard - see <b>Note 2</b>	TBC	TBC
Additional fee for IAS 19 assurance work on behalf of admitted body auditors - see <b>Note 3</b>	15,500	8,800
<b>Total fees</b>	<b>TBC</b>	<b>TBC</b>

**Note 1:** We do not believe that the current scale fee reflects the changes in the audit market and increases in regulation since the most recent PSAA tender exercise. For 2022/23 the scale fee has been re-assessed by the PSAA to take into account some of the recurring risk factors. This does not fully reflect the true cost of the audit which we will continue to submit through the PSAA, including work in respect of ISA 315. Given the 2021/22 audit has yet to conclude, we have not yet submitted this variation to PSAA Ltd for determination. We will follow the same process for 2022/23.

**Note 2:** For 2022/23 there are a number of risk factors to the audit such as the valuation of Cambridge & Counties Bank. As our 2021/22 audit has not yet formally concluded, we have not yet submitted the additional fee that will be notified to Management and then be subject to determination by PSAA Ltd. The same approach will apply in respect of the 2022/23 audit.

**Note 3:** We plan to charge an additional fee to take into account the work required to respond to IAS19 assurance requests from admitted bodies and their auditors. This will include additional costs in relation to work to be performed over the triennial valuation in respect of our 2022/23 audit, estimated to be £6,000. The Pension Fund can recharge this fee to the relevant admitted bodies.

# Independence (cont'd)

## EY Transparency Report 2022

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2023:

[EY UK 2023 Transparency Report | EY UK](#)





## 08 Appendices

# Appendix A – Audit approach update

## Audit approach update

We summarise below our approach to the audit of the balance sheet and any changes to this approach from the prior year audit.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- ▶ Existence: An asset, liability and equity interest exists at a given date.
- ▶ Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date.
- ▶ Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items.
- ▶ Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded.
- ▶ Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework.

Net Asset Statement category	Audit Approach in current year	Audit Approach in prior year	Explanation for change
Investment Assets and Liabilities	Substantively tested all relevant assertions	Substantively tested all relevant assertions	N/A
Debtors	Immaterial - Substantively tested assertion for presentation and disclosure	Immaterial - Substantively tested assertion for presentation and disclosure	N/A
Cash in hand	Substantively tested all relevant assertions	Substantively tested all relevant assertions	N/A
Creditors	Immaterial - Substantively tested assertion for presentation and disclosure	Immaterial - Substantively tested assertion for presentation and disclosure	N/A



# Appendix B – Summary of communications

## Summary of communications

Date	Nature	Summary
Various	Meetings	Regular calls held with the Audit Manager and members of the management team to discuss matters relevant to the planning of our audit work.
12 September 2023	Report	The Audit Partner issued the Provisional Audit Plan. Our report included confirmation of independence.
Various	Meetings	Regular calls held with management and the audit team to discuss any emerging issues throughout the audit process, and specifically during the Execution phase throughout September and October.
17 November 2023	Meeting	Audit close meeting with Management to discuss the preliminary findings of the audit.
17 November 2023	Report	Management and the Audit & Accounts Committee were provided details of internal control observations made in respect of the current year.
17 November 2023	Report	The Audit Results Report, including confirmation of independence, was issued to the Audit & Accounts Committee.
1 December 2023	Meeting	Senior members of the audit team met with the audit committee and senior members of the management team to discuss the audit results report.

In addition to the above specific meetings and letters the audit team met with Management multiple times throughout the audit to discuss audit findings.

# Appendix C - Required communications with the Audit Committee

## Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK entities. We have detailed these here together with a reference of when and where they were covered:

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Provisional Audit Plan - 12 September 2023 - Audit and Accounts Committee
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Provisional Audit Plan - 12 September 2023 - Audit and Accounts Committee
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Audit Results Report - 1 December 2023 - Audit and Accounts Committee

# Appendix C - Required communications with the Audit Committee (cont'd)

Our Reporting to you		
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"><li>▶ Whether the events or conditions constitute a material uncertainty related to going concern</li><li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li><li>▶ The appropriateness of related disclosures in the financial statements</li></ul>	Audit Results Report - 1 December 2023 - Audit and Accounts Committee
Misstatements	<ul style="list-style-type: none"><li>▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li><li>▶ The effect of uncorrected misstatements related to prior periods</li><li>▶ A request that any uncorrected misstatement be corrected</li><li>▶ Material misstatements corrected by management</li></ul>	Audit Results Report - 1 December 2023 - Audit and Accounts Committee

# Appendix C - Required communications with the Audit Committee (cont'd)

## Our Reporting to you

Required communications	What is reported?	When and where
Fraud	<ul style="list-style-type: none"> <li>▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ul style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements.</li> </ul> </li> <li>▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>▶ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud</li> <li>▶ Any other matters related to fraud, relevant to Audit Committee responsibility</li> </ul>	Audit Results Report - 1 December 2023 - Audit and Accounts Committee
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	Audit Results Report - 1 December 2023 - Audit and Accounts Committee



# Appendix C - Required communications with the Audit Committee (cont'd)

## Our Reporting to you

Required communications	What is reported?	When and where
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019:</p> <ul style="list-style-type: none"> <li>▶ Relationships between EY, the company and senior management, its affiliates and its connected parties</li> <li>▶ Services provided by EY that may reasonably bear on the auditors' objectivity and independence</li> <li>▶ Related safeguards</li> <li>▶ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees</li> <li>▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit</li> <li>▶ Details of any inconsistencies between the Ethical Standard and Fund's policy for the provision of non-audit services, and any apparent breach of that policy</li> <li>▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard</li> <li>▶ The audit committee should also be provided an opportunity to discuss matters affecting auditor independence</li> </ul>	<p>Provisional Audit Plan - 12 September 2023 - Audit and Accounts Committee</p> <p>Audit Results Report - 1 December 2023 - Audit and Accounts Committee</p>
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	We have no matters to report

# Appendix C - Required communications with the Audit Committee (cont'd)

## Our Reporting to you

Required communications	What is reported?	When and where
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of</li> </ul>	Audit Results Report - 1 December 2023 - Audit and Accounts Committee
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit</li> </ul>	Audit Results Report - 1 December 2023 - Audit and Accounts Committee
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> <li>▶ Written representations we are requesting from management and/or those charged with governance</li> </ul>	Audit Results Report - 1 December 2023 - Audit and Accounts Committee
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> <li>▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	Audit Results Report - 1 December 2023 - Audit and Accounts Committee
Auditors report	<ul style="list-style-type: none"> <li>▶ Key audit matters that we will include in our auditor's report</li> <li>▶ Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit Results Report - 1 December 2023 - Audit and Accounts Committee



# Appendix D – Outstanding matters

## Outstanding matters



The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item	Actions to resolve	Responsibility
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report.	EY and Management
Management Representation Letter	Receipt of signed management representation letter.	Management
Agreement of Final set of Accounts	Agree all changes made to draft accounts are updated in the final set of accounts.	EY and Management
Final Review Procedures	Final review of areas listed above.	EY

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Annual Report. At this point no issues have emerged that would cause us to modify our opinion. A draft of the current opinion (with outstanding areas highlighted) is included in Section 3.



# Appendix E – Request for a Management representation letter

## Request for a Management Representation Letter

<div data-bbox="353 400 448 507"><p>Building a better working world</p></div> <div data-bbox="495 432 745 485"><p>Ernst &amp; Young LLP One Cambridge Business Park Cambridge CB4 0WZ</p></div> <div data-bbox="645 432 745 475"><p>Tel: 01223 394409 Fax: 01223 394401 www.ey.com/uk</p></div> <div data-bbox="864 582 994 603"><p>17 November 2022</p></div> <div data-bbox="353 600 633 716"><p>Michael Hudson Executive Director of Finance &amp; Resources Cambridgeshire County Council New Shire Hall, Emery Crescent Enterprise Campus Alconbury Weald, Huntingdon PE28 4YE</p></div> <div data-bbox="353 748 450 769"><p>Dear Michael,</p></div> <div data-bbox="353 791 732 829"><p><b>Cambridgeshire Pension Fund – 2022/23 financial year Request for a letter of representation</b></p></div> <div data-bbox="353 842 1021 914"><p>International Standards on Auditing set out guidance on the use by auditors of management representations (ISA (UK&amp;I) 580) and on possible non-compliance with laws and regulations (ISA (UK&amp;I) 250). I have interpreted this guidance as it affects Local Government bodies and I expect the following points to apply:</p></div> <div data-bbox="378 936 1010 1142"><ul style="list-style-type: none"><li>• auditors may wish to obtain written representation where they are relying on management's representations in respect of judgemental matters (for example the level of likely incidence of a claim), which may not be readily corroborated by other <u>evidence</u>;</li><li>• auditors are likely to request written representations on the completeness of information <u>provided</u>;</li><li>• auditors may wish to obtain written representation on issues other than those directly related to the Statement of <u>Accounts</u>;</li><li>• the letter is dated on the date on which the auditor signs the opinion and <u>certificate</u>;</li><li>• the letter is signed by the person or persons with specific responsibility for the financial statements; and</li><li>• the letter is formally acknowledged as having been discussed and approved by the Audit Committee, as those charged with governance of the Pension Fund.</li></ul></div> <div data-bbox="353 1174 826 1197"><p>I would expect the letter of representation to include the following matters.</p></div> <div data-bbox="353 1211 490 1232"><p><u>General statement</u></p></div> <div data-bbox="353 1246 1023 1286"><p>That the letter of representations is provided in connection with our audit of the financial statements of Cambridgeshire Pension Fund ("the Fund") for the year ended 31 March 2023.</p></div> <div data-bbox="353 1295 1023 1417"><p>That you recognise that obtaining representations from you concerning the information contained in this letter is a significant procedure in enabling us to form an opinion as to whether the financial statements give a true and fair view of the financial transactions of the Fund during the period from 1 April 2022 to 31 March 2023 and of the amount and disposition of the Fund's assets and liabilities as at 31 March 2023, other than liabilities to pay pensions and benefits after the end of the period, have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.</p></div>	<div data-bbox="1211 400 1305 507"><p>Building a better working world</p></div> <div data-bbox="1856 438 1877 454"><p>2</p></div> <div data-bbox="1209 582 1877 686"><p>That you understand that the purpose of our audit of the Fund's financial statements is to express an opinion thereon and that our audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent we considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.</p></div> <div data-bbox="1209 700 1865 756"><p>Accordingly, you make the following representations, which are true to the best of your knowledge and belief, having made such inquiries as you considered necessary for the purpose of appropriately informing yourselves:</p></div> <div data-bbox="1209 769 1630 791"><p><b>A. Financial Statements and Financial Records (See Note B)</b></p></div> <div data-bbox="1209 804 1879 1418"><ol style="list-style-type: none"><li>1. That you have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.</li><li>2. That you confirm that the Fund is a Registered Pension Scheme. You are not aware of any reason why the tax status of the scheme should change.</li><li>3. That you acknowledge, as members of management of the Fund, your responsibility for the fair presentation of the financial statements. You believe the financial statements referred to above give a true and fair view of the financial position and the financial performance of the Fund in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, and are free of material misstatements, including omissions. That you have approved the financial statements.</li><li>4. That the significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.</li><li>5. As members of management of the Fund, you believe that the Fund has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that are free from material misstatement, whether due to fraud or error.</li><li>6. That you have disclosed to us any significant changes in your processes, controls, policies and procedures that you have made to address the effects of the COVID-19 pandemic on your system of internal controls.</li><li>7. That you have disclosed to us any significant changes in our processes, controls, policies and procedures that you have made to address the effects of the conflict and related sanctions in Ukraine, Russia and/or Belarus on your system of internal controls. That you do not believe that there are any significant changes.</li><li>8. That you believe that the effects of any unadjusted audit differences, summarised in the Audit Results Report, accumulated by us during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.</li></ol></div>
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# Appendix E – Request for a Management representation letter



## Request for a Management Representation Letter (continued)

<p> 3</p> <p>That you have not corrected these differences identified and brought to your attention by us because (please specify the reasons for not correcting the misstatements).</p> <p><u>Or</u></p> <p>That there are no unadjusted audit differences.</p> <p>B. Non-compliance with laws and regulations including fraud</p> <ol style="list-style-type: none"><li>1. That you acknowledge that you are responsible for determining that the Fund's activities are conducted in accordance with laws and regulations and that you are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.</li><li>2. That you acknowledge that you are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.</li><li>3. That you have disclosed to us the results of your assessment of the risk that the financial statements may be materially misstated as a result of fraud.</li><li>4. That you have not made any reports to The Pensions Regulator, nor are you aware of any such reports having been made by any of your advisors.</li><li>5. That there have been no other communications with The Pensions Regulator or other regulatory bodies during the Fund year or subsequently concerning matters of non-compliance with any legal duty. That you have drawn to our attention all correspondence and notes of meetings with regulators (if applicable).</li><li>6. That you have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Fund (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:<ul style="list-style-type: none"><li>• Involving financial improprieties</li><li>• Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the Fund's financial statements</li><li>• Related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Fund, its ability to continue, or to avoid material penalties</li><li>• Involving management, or employees who have significant roles in internal control, or others</li><li>• In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.</li></ul></li></ol>	<p> 4</p> <p>C. Information Provided and Completeness of Information and Transactions</p> <ol style="list-style-type: none"><li>1. That you have provided us with:<ul style="list-style-type: none"><li>• Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters.</li><li>• Additional information that you have requested from us for the purpose of the audit.</li><li>• Unrestricted access to persons within the entity from whom we determined it necessary to obtain audit evidence.</li></ul></li><li>2. That we have been informed of all changes to the Fund rules.</li><li>3. That all material transactions, events and conditions have been recorded in the accounting records and are reflected in the Group and Council financial statements, including those related to the COVID-19 pandemic and to the conflict and related sanctions in Ukraine, Russia and/or Belarus.</li><li>4. That you have made available to us all minutes of the meetings of members of the management of the Fund and committees of members of the management of the Fund (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting on the following date (X November 2023).  </li><li>5. That you confirm the completeness of information provided regarding the identification of related parties. You have disclosed to us the identity of the Fund's related parties and all related party relationships and transactions of which you are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.</li><li>6. That you confirm the completeness of information provided regarding annuities held in the name of the members of the management of the Fund. <i>Where members of the management of the Fund have determined that annuity policies are not material the following statement may be added: The Scheme holds annuity policies which have not been recognised and recorded as an asset of the Scheme in the financial statements as they are not considered material in relation to the net assets. These policies have an estimated value of £xxx.</i></li><li>7. That you have disclosed to us, and the Fund has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.</li><li>8. No transactions have been made which are not in the interests of the Fund members or the Fund during the fund year or subsequently.</li><li>9. That you believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.</li></ol>
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# Appendix E – Request for a Management representation letter

## Request for a Management representation letter (continued)

<p> 5</p> <p>10. That from the date of your last management representation letter to us, through the date of this letter you have disclosed to us any unauthorized access to your information technology systems that either occurred or to the best of your knowledge is reasonably likely to have occurred based on your investigation, including of reports submitted to you by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to your information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.</p> <p>D. Liabilities and Contingencies</p> <p>1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to us and are appropriately reflected in the financial statements.</p> <p>2. You have informed us of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.</p> <p>3. You have recorded and/or disclosed, as appropriate, all liabilities relating to litigation and claims, both actual and contingent, and have disclosed in Note <del>X</del> to the financial statements all guarantees that we have given to third parties.</p> <p>4. No other claims in connection with litigation have been or are expected to be received.</p> <p>E. Subsequent Events</p> <p>1. That other than the disclosure described in Note 6 (Events after the balance sheet date) to the Group and Council's financial statements, there have been no events, including events related to the COVID-19 pandemic, or related to the conflict and related sanctions in Ukraine, Russia and/or Belarus, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.</p> <p>F. Other information</p> <p>1. You acknowledge your responsibility for the preparation of the other information. The other information comprises the "Cambridgeshire Pension Fund Annual Report and Accounts 2022/23".</p> <p>2. You confirm that the content contained within the other information is consistent with the financial statements.</p> <p>G. Independence</p> <p>1. You confirm that, under section 27 of the Pensions Act 1995, no members of the management of the Fund of the Scheme is connected with, or is an associate of, Ernst &amp; Young LLP which would render Ernst &amp; Young LLP ineligible to act as auditor to the Scheme.</p> <p>H. Derivative Financial Instruments</p> <p>1. You confirm that all investments in derivative financial instruments have been made after due consideration by the members of the management of the Fund of the limitations in their use imposed by The LGPS Management and Investment of Funds Regulations 2016.</p>	<p> 6</p> <p>The Fund's Investment Strategy Statement has been duly reviewed to ensure that such investments comply with any limitations imposed by its provisions. The financial statements disclose all transactions in derivative financial instruments that have been entered into during the period, those still held by the members of the management of the Fund at the Fund's year end and the terms and conditions relating thereto.</p> <p>2. Management has duly considered and deemed as appropriate the assumptions and methodologies used in the valuation of 'over the counter' derivative financial instruments which the Fund is holding, and these have been communicated to you.</p> <p>I. Pooling investments, including the use of collective investment vehicles and shared services</p> <p>1. You confirm that all investments in pooling arrangements, including the use of collective investment vehicles and shared services, meet the criteria set out in the November 2015 investment reform and criteria guidance and that the requirements of the LGPS Management and Investment of Funds Regulations 2016 in respect of these investments has been followed.</p> <p>J. Actuarial valuation</p> <p>1. The latest report of the actuary [Name] as at [Date] and dated [Date] has been provided to us. To the best of your knowledge and belief you confirm that the information supplied by you to the actuary was true and that no significant information was omitted which may have a bearing on his report.</p> <p>K. Use of the Work of a Specialist</p> <p>1. You agree with the findings of the specialists that you have engaged to value Private Equity Investments / IAS26 disclosures and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. You did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.</p> <p>L. Estimates</p> <p>Valuation of Investments</p> <p>1. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the applicable financial reporting framework (the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23).</p> <p>2. You confirm that the significant assumptions used in making the valuation of investments appropriately reflect your intent and ability to carry out specific courses of action on behalf of the entity.</p> <p>3. You confirm that the disclosures made in the financial statements with respect to the accounting estimate(s) are complete including the effects of the COVID-19 pandemic, or related to the conflict and related sanctions in Ukraine, Russia and/or Belarus on the valuation of investments and made in accordance with the applicable financial reporting framework.</p>
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# Appendix E – Request for a Management representation letter

## Request for a Management Representation Letter (continued)



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4. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements due to subsequent events, including due to the COVID-19 pandemic, or related to the conflict and related sanctions in Ukraine, Russia and/or Belarus.

### M. Going Concern

1. That Note 2 to the financial statements discloses all the matters of which you are aware that are relevant to the Fund's ability to continue as a going concern, including significant conditions and events, your plans for future action, and the feasibility of those plans.

### N. Specific Representations

We do not require any further specific representations in addition to those above.

I would be grateful if you could provide a letter of representation, which is appropriately signed and dated (by the Fund Administrator, Chair of the Pension Committee and Chair of Audit Committee) on the proposed audit opinion date (to be confirmed with you) on formal headed paper.

Yours sincerely

Mark Hodgson  
Partner  
For and on behalf of Ernst & Young LLP

## EY | Building a better working world

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# Cambridgeshire Pension Fund Committee/Investment Sub Committee Agenda Plan

Meeting Date	Agenda item	Lead officer
<b>20/12/2023</b> <b>PFC</b>	Administration Report [standing item]	M Oakensen
	Business Plan Update [standing item]	M Whitby
	Governance and Compliance Report [standing item]	M Oakensen
	Employer Admission and Cessation Report [standing item]	C Blose
	Annual Report and Statement of Accounts [to note]	B Barlow
	Cambridgeshire Pension Fund assurance report on potential breaches of the law [to note]	M Oakensen
	Data Retention Policy [approval]	M Oakensen
	External audit plan [to note]	B Barlow
	Risk Monitoring [standing item] – exempt	M Oakensen
	ACCESS Update [standing item] exempt	M Whitby
<b>29/2/2024</b> <b>ISC</b>	Quarterly Performance [standing]	B Barlow
	Equity Review [approval]	B Barlow
	Timberland [approval]	B Barlow
	Social Housing [approval]	B Barlow
	Impact Investing [approval]	B Barlow
	Strategic Asset Allocation Update [to note]	B Barlow
	Annual Climate Reporting and Metrics Update [to note]	B Barlow

<b>28/3/2024 PFC</b>	Administration Report [standing item]	M Oakensen
	Business Plan Update [standing item]	M Whitby
	Annual Business Plan and Medium-Term Strategy	M Whitby
	Governance and Compliance Report [standing item]	M Oakensen
	Employer Admission and Cessation Report [standing item]	C Blose
	ACCESS Update [standing item] <b>exempt</b>	M Whitby
	External Audit Plan [to note]	B Barlow
<b>June 2024 PFC</b>	Administration Report [standing item]	M Oakensen
	Business Plan Update [standing item]	M Whitby
	Governance and Compliance Report [standing item]	M Oakensen
	Employer Admission and Cessation Report [standing item]	C Blose
	Communication Strategy [approval]	C Blose
	Risk Monitoring [standing item] – <b>exempt</b>	M Oakensen
	ACCESS Update [standing item] <b>exempt</b>	M Whitby