

# PENSION FUND COMMITTEE



**Tuesday, 25 October 2022**

**Democratic and Members' Services**

Fiona McMillan  
Monitoring Officer

**10:00**

New Shire Hall  
Alconbury Weald  
Huntingdon  
PE28 4YE

**Red Kite room New Shire Hall PE28 4YE**  
**[Venue Address]**

## **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 28 July 2022**      **5 - 8**
3. **Petitions and Public Questions**
4. **Internal Audit Report 2021-22**      **9 - 34**
5. **Ernst and Young Audit Plan for Cambridgeshire Pension Fund 2021-22**      **35 - 78**
6. **Administration Performance Report**      **79 - 90**
7. **Governance and Compliance report**      **91 - 98**

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| 8.  | <b>Pension Fund Annual Business Plan Update report 2022-23</b>   | 99 - 116  |
| 9.  | <b>Reporting Breaches of the Law to the Pensions Regulator Policy</b>  | 117 - 150 |
| 10. | <b>Employer Admissions and Cessations Report</b>   | 151 - 160 |
| 11. | <b>Cambridgeshire Pension Committee Forward Agenda Plan</b>  | 161 - 164 |
| 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>Cambridgeshire Pension Fund - Valuation 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>   |           |
| 14. | <b>Cyber Strategy 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>  |           |
| 15. | <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 Catherine Rae (Vice-Chair) Councillor Chris Boden Councillor Andy Coles Mr Lee Phanco Mr Matthew Pink and Mr John Walker Councillor Adela Costello Councillor Edna Murphy Councillor Keith Prentice Councillor Alan Sharp

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



## Minutes of the Pension Fund Committee

Date: 28<sup>th</sup> July 2022

Time: 10:00am – 12:00pm

Venue: New Shire Hall, Alconbury Weald

Present: County Councillors H Batchelor (substituting for Cllr Murphy), K Prentice, C Rae (Vice-Chair), A Sharp, A Whelan (Chair); Fenland District Councillor C Boden, Peterborough City Councillor A Coles; Lee Phanco, Liz Brennan (attended virtually) and John Walker

Officers: B Barlow, D Cave, F Coates, S Heywood (attended virtually) and M Whitby

Advisors: J Thurgood and C West (Mercer) and S Gervaise-Jones (all attended virtually)

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

Apologies were presented on behalf of Councillors Costello and Murphy, and Matthew Pink. Councillor Batchelor was substituting for Councillor Murphy; and Liz Brennan for Matthew Pink.

John Walker declared a personal interest (i) as a retired member of the Local Government Pension Scheme (LGPS), (ii) his son and daughter-in-law were deferred Members of the LGPS.

### 67. Public minutes of the Pension Fund Committee meeting held 10<sup>th</sup> June 2022 and Action Log

The minutes of the Pension Fund Committee meeting held on 10<sup>th</sup> June 2022 were approved as a correct record.

The Action Log was noted.

### 68. Petitions and Public Questions

There were no petitions or public questions.

### 69. Pension Fund Annual Report and Statement of Accounts 2021-22

The Committee considered the draft Statement of Accounts of the Pension Fund for the 2020-21 financial year. It was noted that the external audit work would commence in August, and that the Audit Plan would be presented at the next Committee meeting.

Key points highlighted in the presentation included:

- Contribution receipts had decreased from £154M to £134M. This reflected the decrease in contributions payments, as a number of employers pay their three-year deficits in 2020-21, following the 2019 Valuation, but there were no deficits payable for 2021-22;
- Transfers in from other pension funds had reduced considerably, but these were very much demand led;
- Benefit payments had increased to £118.3M from £109.6M, reflecting the growth in the number of pensioners during the year and Consumer Price Index uplifts to benefits in payment;
- Administration Expenses had decreased, but Management Expenses had increased from £22.7M to £25.6M, largely due to positive performance;
- Profits on disposal of investments, and increases to the value of investments were £383M for the year, reflecting good market performance. This had increased net assets to £4.3Bn.

Arising from the presentation:

- It was confirmed that the draft accounts would be published in September. Whilst the Pension accounts were subject to a separate ISA 260 (External Audit) report, they formed part of the County Council accounts, so would formally be signed off later in the year;
- A Member asked if it would be appropriate to consider the cost of the equity protection options during the year against the pooled investments gain. Officers advised that the equity protection can be considered as part of the performance of equities overall, as a holistic approach was taken when it was put in place. It was noted that there were a number of equity protection contracts which were broadly, but not precisely aligned, with regions. It was confirmed there was no equity protection for private equity, and that the current equity protection expired in May 2023, and the Pension Fund Committee would be considering whether to extend it early in 2023;
- Noting that there were 11,011 “undecided leavers” as at 31/03/22, a Member asked what was meant by “undecided leavers” in this context. Officers explained that when a member leaves the scheme it could take a while to process them, usually due to incomplete or lack of data. There was a Business Plan activity to reduce the number of undecided leavers by around 2,500 each year over three years, down to around 3,000. Many Funds were in a similar position;
- Noting that a significant element of administration was managed by West Northamptonshire Council (WNC) following the break up of LGSS, a Member commented that at Cambridgeshire County Council’s Audit & Accounts Committee, Members had been informed of continuing problems with the provision of necessary information from WNC on payroll reconciliation. The Member asked if there were similar issues experienced by the Pensions team? Officers advised that the Pensions team was very much self-contained, and that they had a good relationship with other WNC services;

- A Member queried the implications of the McCloud case, noting that the resultant legislation would come into force 01/10/23. He asked if there were adjustments that the Fund would need to make in its accounts. Officers confirmed that whilst McCloud would be difficult administratively, and it would be taken into account in the Valuation process as it impacted on liabilities, the individual cases where the underpin has previously bitten have been small in number. Almost all data had been received from scheme employers, and it was likely that there would be a slight, but not material, increase in contributions. The Member asked that this information be included in future in the narrative;
- A Member asked why Investment Management Expenses was significantly higher than forecast (£22.1M compared to £900K forecast). Officers explained that the forecast figure was based on what was actually invoiced: prior to pooling, everything had been invoiced, but the actual figure included management fees from pooled investments, which were high due to good performance. It was agreed that it may be appropriate to review how this figure was forecast to reflect the change away from invoicing to pooled arrangements;
- Members discussed the audit plan, noting that there were delays nationally due to audit resourcing, but there were unlikely to be any surprises in the audit process;
- Members discussed the training and competence of Members, noting that this was a challenging area, especially with a large proportion of new Members. Any Member who feels they need additional support in this area should contact officers;
- Noted that the table on cost transparency would be populated in the published accounts, showing pooled fees.

It was unanimously resolved to note the Draft Annual Report and Statement of Accounts of the Pension Fund for the 2021-22 financial year.

## 70. Committee Agenda Plan

Members considered agenda plan.

It was noted that the Internal Audit had concluded, and would be shared with the Committee shortly.

It was resolved to note the Agenda Plan.

## 71. 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).

**72. Responsible Investment – Climate Action Plan**

The Committee considered an update on the Fund's Responsible Investment activities and Climate Action Plan.

It was resolved unanimously to note the Responsible Investment update and Climate Action Plan.

**73. Annual Investment Review**

Members considered a report reviewing the performance of the Fund's Investment Managers for the year ended 31st March 2022.

It was resolved unanimously to Note the Mercer presentation - Annual Pension Committee Review.



## Cambridgeshire Pension Fund

Pension Fund Committee

Date: 25th October 2022

Report by: Internal Audit

Subject: Internal Audit Report 2021-22

Purpose of the Report To present the findings of Internal Audit work during 2021-22.

Recommendation The Committee are asked to note the Internal Audit work during 2021-22.

Enquiries to: Jen Morris - Head of Audit & Risk Management  
[Jen.Morris@westnorthants.gov.uk](mailto:Jen.Morris@westnorthants.gov.uk)

## 1. Background

- 1.1 Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 1.2 The work of Internal Audit complements and supports the work of external auditors in forming their opinion on the financial accounts. Internal audit work is coordinated with the external auditors and they place reliance on the work of internal audit to reduce the level of testing they undertake themselves. This reduces overall costs by avoiding unnecessary duplication of effort and supports delivery of an efficient and effective service.

## 2. Report Content

- 2.1 During 2021-22, Internal Audit work focused on the administration of the Cambridgeshire Pension Fund.
- 2.2 The audit assessed the adequacy of design and implementation of controls for the administration of the pension fund. Based on the completion of our work, we gave a **substantial** opinion assurance to the control environment in place and a **satisfactory** assurance opinion for compliance. The full report is included as Appendix A.

## 3. Relevant Fund Objectives

- 3.1 The audit work undertaken was designed to support the Pension Service in achieving its objectives through the effective management of risk. The work therefore supports all of the objectives of the Pension Service, in particular.

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 measure clearly articulated objectives through business planning. *Objective 4*

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

## 4. Risk Management

- 4.1 Good governance ensures that the Pension Fund is appropriately managed and has oversight by audit to ensure transparency.
- 4.2 The risks associated with failing to independently assess the Pension Fund has been captured in the Fund's risk register as detailed below.

Risk Mitigated	Residual Risk
Contributions to the Fund are not received on the correct date and/or for the correct amount.	Amber
Risk of fraud and error.	Green
Failure to understand and monitor risk and compliance.	Green
Failure to administer the scheme in line with regulations and guidance.	Green
Incorrect/poor quality data held on the Pension Administration and Payroll platforms or delays with receiving information leading to incorrect information/delayed provision of information to members and stakeholders.	Green

4.3 Please see full details of the [Cambridgeshire Pension Fund Risk Register](#)

## 5. Finance & Resources Implications

5.1 There are no finance or resource implications associated with this report.

## 6. Communication Implications

Direct Communications: The work of auditors is transparent and reported to the Pension Committee and Pension Board.

Website: The report will also be published on internet.

## 7. Legal Implications

7.1 The requirement for an Internal Audit function derives from section 151 of the Local Government Act 1972. All principal local authorities and other relevant bodies subject to the Accounts and Audit Regulations 2015 in England should make provision for Internal Audit in accordance with the Code.

## 8. Consultation with Key Advisers

8.1 Consultation with the Fund's advisers was not required for this report.

## 9. Alternative Options Considered

9.1 Not applicable

## 10. Background Papers

10.1 Not applicable

## 11. Appendices

11.1 Appendix 1 – Internal Audit Report: Administration of the Cambridgeshire Pension Fund 2021-22.

## Checklist of Key Approvals

Is this decision included in the Business Plan? No

Will further decisions be required? If so, please outline the timetable here. No

Is this report proposing an amendment to the budget and/or policy framework? No

Has this report been cleared by Section 151 Officer? Sarah Heywood – 29/9/2022

Has this report been cleared by Head of Pensions? Mark Whitby – 12/9/2022

Has the Chair of the Pension Fund Committee been consulted? Cllr Whelan – 14/10/2022

Has this report been cleared by Legal Services? Fiona McMillan – 30/9/2022

# Internal Audit Final Report

## Administration of the Cambridgeshire Pension Fund 2021-22

### Governance Opinion

<b>Adequacy of System</b>	<b>Substantial</b>
<b>Compliance</b>	<b>Satisfactory</b>
<b>Organisational Impact of Findings</b>	<b>Minor</b>

<b>Report Issued</b>	06/07/2022
<b>Follow Up Audit Due</b>	TBD

## Executive Summary

### 1 Background

- 1.1 The Pension Service based within West Northamptonshire Council administers the Cambridgeshire Local Government Pension Scheme on behalf of Cambridgeshire County Council.
- 1.2 The administration of the scheme is subject to an annual internal audit and was given substantial assurance for system design and good assurance for compliance in 2020/21.
- 1.3 Relevant statistics for the fund as reported in the 2020/21 Annual Report and Accounts are depicted in the following table:

Period end	No. of members	No. of scheme employers with active members	Value of assets
31 March 2021	89,407	217	£3.9 billion
31 March 2020	85,765	197	£3.0 billion

- 1.4 This audit forms part of the agreed 2021/22 Internal Audit Plan.

### 2 Scope of Audit and Approach

#### 2.1 Scope

To provide assurance the Pensions Service has effective arrangements in place with regards to the management and administration of the Cambridgeshire Pension Fund, including the accuracy and timeliness of associated financial transactions.

The objectives of this review will be to ensure that:

- Appropriate systems are in place to ensure notification of new members (including transfers in) are recorded on the pensions systems accurately and on a timely basis.
- Mechanisms exists to ensure the correct contributions are received from employer organisations in line with agreed deadlines on a timely basis.
- Appropriate action is taken upon notification that a member has left the scheme.
- Pension payments are made accurately and in accordance with regulations and agreed procedures.
- Reconciliations related to Pensions are completed on a timely basis, with prompt action taken to clear unreconciled items.
- Key Performance Indicators (KPIs) reported in Administration Performance reports are accurate.
- Appropriate procedures are in place to identify and report breaches of the law to the Pension Committee and Pension Board in the Administration Report.
- There is an up-to-date Risk Strategy and Risk Register in place which are monitored and reported on at appropriate intervals.

## 2.2 Approach

The audit process involved:

- undertaking interviews with relevant officers to ascertain the procedures in place for managing risk;
- evaluating whether the procedures in place provided for an adequate and effective level of control;
- testing, where appropriate, that the controls identified were operating in practice; and
- reviewing procedures for efficiency and, where appropriate, identify opportunities to make improvements to processes; and
- following up the recommendations made in the 2020/21 report.

## 2.3 Acknowledgements

We would like to thank all the members of staff consulted, for their assistance and co-operation during this review.

### 3 Internal Audit Opinion and Main Conclusions

- 3.1 The review has confirmed that the current arrangements largely ensure that adequate controls are in place for achieving the eight key control objectives listed in 2.1 above, with some minor areas for improvement made. Based on the audit findings the assurance given to the system design is **Substantial**.
- 3.2 Overall, the review found good levels of compliance with the expected control procedures. However, some areas of non-compliance have been identified, some of which were highlighted in last year's audit report, and recommendations for improvement made and agreed with management. On this basis the assurance given for compliance is **Satisfactory**.
- 3.3 The organisational impact of the findings is **Minor**. This reflects the fact that whilst a number of improvements have been identified, these are considered to have a limited impact on the operations of the Cambridgeshire Pension Fund.
- 3.4 **Main recommendations**
- The timely resolution of queries resulting from validation checks on employer submissions and the chasing of late submissions. **(See MAP 1)**
  - Timely employer notification of required pension adjustments required as a result of the annual reconciliation of manual submissions. **(See MAP 2)**
  - Checking / authorisation of payments by appropriate officers in line with the checking limits schedule. **(See MAP 3)**
  - Additional checking by the Operations Manager of KPI data analysed and reported. **(See MAP 4)**
  - Review of the 2018 Reporting Breaches of the Law to the Pensions Regulator Policy. **(See MAP 5)**
  - Review of arrangements to maximise identification, classification, and reporting of breaches. **(See MAP 6)**
  - Ensure compliance with the reporting timetable for the Pensions Committee and update the risk strategy at the next opportunity to reflect current practices. **(See MAP 7)**
- 3.5 **2021/22 Audit recommendations - Follow-up**
- The 2021/22 report highlighted three issues for management action. Two issues related to the introduction of appropriate independent checks during the processing of pensions transactions and, another to the numbers of validation checks outstanding at year end. This review has confirmed that whilst independent checks have been introduced, the limits for responsibility for these checks need to be clarified in particular relating to the checking of death and other grants. The number of validation checks outstanding at year end remains an issue. **(See MAP 1 & 3)**
- 3.6 For all issues identified as part of this audit, actions are agreed with management and are detailed in the Management Action Plan (MAP) from page 11 of this report. When implemented these will positively improve the control environment.



## DETAILED FINDINGS

### 4 Assurance Area - Recording new starters (incl: transfers in)

**Control Objective (1) - Appropriate systems are in place to ensure notification of new members (including transfers in) are recorded on the pensions systems accurately and on a timely basis.**

- 4.1 Employers are responsible for notifying Pensions Fund of any employees who wish to join the pension scheme. This information is currently received by Pensions through two mechanisms:
- Electronic data submissions via I-connect, which is a bespoke system which interfaces with the pensions system.
  - Manual forms from employees and employers these are very rare.
- 4.2 Irrespective of the mechanism, checks are undertaken to ensure that only correct and complete records are uploaded into the pensions system (Altair), which are then used to create the member record. This includes:
- Independent checks on manual information input onto the pensions system by Pension Officers, and
  - Checks to ensure that electronic data received is accurately transferred to the pensions system. This includes ensuring that all submissions received from employers have been processed and that any rejected data is investigated and resolved.
- 4.3 A log is maintained to monitor receipt of the monthly employer's returns, and this also details outstanding information and queries resulting from returns. Based on information provided in April 2022, returns from one employer were regularly overdue and having to be followed up. **(See MAP 1)**
- 4.4 During the year and at the year end, a validation check is undertaken to ensure all data submitted by employers is correct. Based on information provided at 22<sup>nd</sup> April 2022 by the Team Leader (Systems), 3274 queries relating to 2021-22 had not yet been resolved. **(See MAP 1)**
- 4.5 New members who wish to transfer in from another pension scheme can do so providing defined procedures are followed. Testing of ten transfers into the Cambridgeshire Pension Fund (CPF) confirmed that the following controls were operational:
- A transfer in request was made within one year and a form was on file signed by the member.
  - A calculation of the transfer in value is on file which has been subject to independent review and authorisation.
  - The pension certificate has been provided by the previous pension provider.
  - The correct payment had been received from the previous pension provider.
  - The member's pension record on the Altair system had been updated accurately and the member notified.

## **5 Assurance Area - Contributions**

**Control Objective (2) - Mechanisms exists to ensure the correct contributions are received from employer organisations in line with agreed deadlines on a timely basis.**

- 5.1 **Monthly Employer Contributions** - A clearly defined process is in place to oversee the monthly payment of employer contributions to the CPF. Employers submit details of their contributions each month on a PEN18 electronic return. The PEN18s system checks that employer contributions received agree to actuary percentage rates for pensionable pay for employer's contributions. This system is automated so that when the data is fed into the system it calculates the amount due based on pensionable pay, this is then compared to the amount received. A check is also completed at the same time to monies received. Where variances occur, the employer is contacted and they either adjust the next payment or invoice the employer.
- 5.2 Records are maintained for employers and their contributions on a contributions worksheet. Review of the CPF Contributions 2021-22 worksheet for the period April 2021 – February 2022 highlighted that there was 100% reconciliation of employer's contributions received to that expected for the months April 2021-January 2022. For February 2022 it was 99.9% with £10k unreconciled, whilst £13.989m had been reconciled. From the worksheet received in early April 2022, reconciliation of contributions for March 2022 was work in progress. Our assessment up to February 2022 does not indicate any material issues with unreconciled items.
- 5.3 For a sample of five employers (each for one month during the year), audit testing confirmed employer's contributions reflected in the PEN18 returns (which provide details of summary totals of employer and employee contributions – and recorded in the CPF Contributions 2021-22 worksheet) for a particular month were reconciled to expected contributions and had been paid into the Pension Fund bank account.
- 5.4 **Annual Employer Reconciliations** - In addition to the monthly process, an annual reconciliation of employer and member contributions to payments received takes place around July/ August in the following financial year. This takes place for employers who do not have access to the I-Connect system and manually submit an annual return. A review of the 2020-21 reconciliations highlighted that one area for follow up, based on set variance levels being exceeded (an overpayment of £92.2k), had been investigated. The Principal Accounting Technician confirmed in response to audit query that they were due to write to the employer in early May 2022 (just prior to their contributions payment being due) to advise them to make the deduction and / or keep as an additional amount against their valuation. We consider this to be an unnecessary delay in employer notification. **(See MAP 2)**

## **6 Assurance Area - Leaving the pension scheme**

**Control Objective (3) - Appropriate action is taken upon notification that a member has left the scheme.**

- 6.1 Employers notify the Pensions Team when an employee leaves and the member's pension is then "deferred" until payments are due. Action is taken if a request or event takes place. These are considered below.

- 6.2 **Transfers Out** - former members who wish to transfer out to another pension scheme are able to do so providing defined procedures are followed. Testing of six transfers (all year to date at time of testing) out of the CPF confirmed that the following controls were operational:
- A transfer out request form was on file signed by the member.
  - Confirmation from the employer / Payroll was on file to confirm the member had left their pensionable employment.
  - A calculation of the transfer out value was on file which had been subject to review and authorisation.
  - The payment had been made to the appropriate Pension Fund.
- 6.3 **Death** - certain procedures have to be followed on the death of a pensioner member of the scheme. Notification of five pensioner deaths were reviewed and testing undertaken confirmed that the following controls were operational:
- A death certificate or other official notification (e.g. tell us once) was on file in all cases.
  - The pension was stopped on a timely basis.
  - A reconciliation had been completed and independently checked to confirm if over / under payments had occurred and appropriate action was taken based on the findings.
  - The pensioner's records on the Altair System had been "closed" where appropriate to do so.
- 6.4 The CPF Anti-Fraud and Corruption Policy - March 2022 (Section 10) has details of ongoing procedures that address the risk of payments being made to pensioners after their death.

## **7 Assurance Area - Pension Payments**

**Control Objective (4) - Pension payments are made accurately and in accordance with regulations and agreed procedures.**

- 7.1 **New Pensioners** - Pension payments can be set up for both new and dependent pensioners. For a new pensioner, the Pensions Team will initially seek confirmation that the member has left their pensionable employment. This information can either be provided by the employer or through Payroll. The Pensions Team then seek to validate key information including the member's date of birth, length of service, marital status and pay details. This information is then used to calculate the pension payments (lump sum where applicable and monthly) and then the monthly payment set up on the pension payroll. Both the calculation and setting up on the pension payroll are subject to independent checks for accuracy and then payment. The pensioner is notified, and payments made accordingly.
- 7.2 It was also noted that a payment for £308k was authorised by the Funding and Investment Manager rather than the Head of Pensions who is required to authorise all payments over £250k. Further the Funding and Investment Manager is not on the list of officers who can approve payments, which was provided to Audit. **(See MAP3)**
- 7.3 **Dependent pensioners** - following the death of a pensioner / member in service there is a need to seek official notification that the member has died, confirming the status of the dependent, performing a calculation, and a senior review of potential death grants and monthly payments (which also require authorised payroll set up), together with notification of the dependents of these.
- 7.4 Testing of five new dependent pensioners to confirm that the expected controls were operational highlighted that the calculation for two death grant payments (£69.9k & £70.4k respectively) had

been checked by a Pensions Officer with a checking limit up to £10k but this should have been checked by the Team Leader who has authority for payments over £10k. **(See MAP 3)**

- 7.5 **Annual Uplift** - the annual uplift of pension payments is completed based on information provided by central government – Public Service Information Sheet (PSIS) Tables in an Excel sheet format. The updated PSIS values are input by a Pension System Analyst to a table in the Altair system and an uplift process run - both in the test and live environments – calculates the increase in pension required. The output which is used to update the payroll data with the increases are checked by another Pensions System Analyst to ensure the changes are complete and accurate before updating the live payroll system. We were provided with evidence by one of the Pension System Analysts that this process was successfully completed for 2021/22.

## **8 Assurance Area - Reconciliations**

**Control Objective (5) - Reconciliations related to Pensions are completed on a timely basis, with prompt action taken to clear unreconciled items.**

- 8.1 **Bank Reconciliations** – The Pension Fund has four NatWest bank accounts, namely:
- 1) Payables
  - 2) Income
  - 3) Business Reserve
  - 4) Salaries
- 8.2 Monthly reconciliations of all four bank accounts are undertaken by the WNC Business Systems and Change Team.
- 8.3 A review of two months (September 2021 and February 2022) reconciliations for all four bank accounts completed by the Business Systems and Change Team highlighted that all had all been completed on a timely basis and included appropriate supporting documentation (bank statements and system extracts to support entries in the reconciliations). Unreconciled items were generally cleared on a timely basis. For the unreconciled items identified in February 2022, the review prepared in March reconciliations (still awaiting completion in mid-April) confirmed these had been cleared. Different officers in the Business Systems and Change Team had completed (Business Support Officer) and reviewed (Business Systems Team Leader) the reconciliations for September 2021 and February 2022 ensuring adequate separation of duties.
- 8.4 **Payroll Control Accounts** - Based on work completed in other audit reviews during 2021/22 including the Payroll audit, a number of issues relating to payroll control account reconciliations have been identified and reported to management who have provided assurances that appropriate action will be taken to address these. These actions are being monitored by both senior management, Accountancy, and Internal Audit across each of the relevant client authorities. As a result, we have not undertaken any additional testing in this area as part of this review and expect the close examination of management and officers to resolve any issues arising will ensure effective arrangements are in place.

## **9 Assurance Area - Key Performance Indicators (KPIs)**

### **Control Objective (6) - KPIs reported in Administration Performance reports are accurate.**

9.1 The Administration Strategy for the CPF (reviewed and agreed by the Pension Board December 2020) sets out Performance Standards and makes specific reference to performance monitoring against administering authority tasks noted in Appendix C “Administering Authority Performance Standards” of that document and lists 18 performance indicators for scheme administration.

9.2 The Quality Assurance Officer confirmed the process for providing performance information for reporting is as follows:

Workflow reports are run monthly on the Altair system. The required Service Level Agreement (SLA) information is extracted and then checked for accuracy. From this information, the following are updated:

- SLA Performance PowerPoint report, which details the total SLA figures for the fund for all the SLA casework.
- SLA “misses” which provides details of the reason why a case has missed the relevant SLA target and by how many days.
- An SLA administration report in the form of a spreadsheet for the fund, which provides the required committee SLA information and is issued to the Governance team to report to the committee.
- A Pensions KPI and volumes spreadsheet which provides the required lead authority SLA information for the fund, which is uploaded to Huddle.
- All the SLA information is checked internally by the Operation Team Leaders and Operations Manager, before that information is provided to the Governance Team to be included in the Performance Administration report for committee submission or uploaded to Huddle for the Lead Authority Board.

Note that in arriving at SLA “misses” a detailed exercise is undertaken as follows:

- Using the potential misses shown on a pivot table worksheet the relevant cases are pulled from the relevant Altair system report and then checked on Altair to see if they have missed the SLA or not. Not all cases listed will have missed the SLA and reasons why include:
  - Out of office awaiting information from member, employer etc.
  - Reply received date not entered onto a task. These are shown on the SLA misses spreadsheet to highlight training issues to the relevant Team Leader.
  - Other issues with the completion of tasks, which will also be shown on the SLA misses spreadsheet.
- The Operations Manager checks the SLA misses spreadsheet to see what reasons have been provided by the Team Leaders for missed targets to ensure appropriate actions are being taken to stop re-occurrence.

9.3 We confirmed with the Governance and Regulations Manager that most likely in 2012 (before their appointment) when there was a wholesale review of the information reported at the Committees and Boards, it was decided that only seven of the eighteen SLAs (four of these are statutory) would be reported to the Pensions Board and Pensions Committee. Furthermore, guidance is currently awaited from the Scheme Advisory Board and the Department for Levelling Up Housing and Communities. It is expected that this should consolidate the KPIs for all LGPS Funds and provide better consistency of report to their respective Committees and Boards.

#### 9.4 **Testing**

Information relating to the seven SLAs is reported to the Fund's Pension Committee and Pension Board alongside any remedial action taken where the expected standards are not being met. A selection of two KPIs (one statutory - "Award Dependant Benefits" and one non-statutory - "Notify employees retiring from active membership of benefits award") were examined against the identified procedures. These results include:

- Both have been reported to the Pension Board during the 2021/22 year (latest one - January 2022) and April 2022 (for performance in January 2022). No issues were noted.
- The reported performance for one of the three months reported (December 2021 & January 2022) can be verified to underlying system recording (higher level testing). No issues were noted.
- Obtained confirmation from the Operations Manager that they had checked the SLA misses spreadsheet to observe what reasons had been provided by the Team Leaders for missed targets to ensure appropriate action had been taken to stop re-occurrence.

Whilst our testing provided assurance on the operation of the procedures to enable accurate reporting, we recommend that whilst the checking by the Operations Manager highlights areas for training and further improvement, which is important to the provision of the service, some attention should be directed to sample checking of the reclassification of "near misses" so that they are not reported as SLA misses. **(See MAP 4)**

#### 10 **Assurance Area - Breaches**

**Control Objective (7) - Appropriate procedures are in place to identify and report breaches of the law to the Pension Committee and Pension Board in the Administration Report.**

- 10.1 The fund has a policy in place, "Reporting Breaches of the Law to the Pensions Regulator Policy 2018", to identify and report breaches of the law to the Governance Manager, the S151 Officer, the Pensions Committee and Pension Board, and upwards to the Pensions Regulator.
- 10.2 In Section 5 of the policy ref: Review 5.1, it refers to the policy being expected to be appropriate for the long-term but will be reviewed every two years to ensure it remains accurate and relevant. The policy is therefore in need of review. **(See MAP 5)**
- 10.3 As part of the review we sought and obtained clarification from the Governance and Regulations Manager confirming that it is not possible to identify and report ALL breaches. Reasons provided included breach identification in the first instance, the large number of processes involved, and the limited resources available to oversee every process in the identification of breaches and reporting thereof.
- 10.4 This limitation should be noted by management to ensure that every effort is made to maximise identification, classification and reporting of breaches. Benchmarking with other pension funds may provide areas for retrospective checking if not already identified by the CPF. KPI monitoring should also be used to assist identification of any breaches – where KPIs have not been met (those reported to the Pensions Board and others internally monitored) potential breaches should be investigated. This should be a standard monthly procedure. **(See MAP 6)**

- 10.5 The CPF Pension Committee and Pension Board Agenda papers and minutes during 2021/22 were reviewed for evidence of the reporting of breaches. This confirmed regular reporting to the Pension Committee in the Administration Performance Report as follows- (July 2021; Sept 2021; Dec 2021; March 2022) and Pension Board (April 2021; July 2021; Nov 2021; Jan 2022) during the year. There was no classification of any breaches rated as red which would have required reporting to the Pensions Regulator. All the breaches reported had been classified as non-material.

## **11 Assurance Area - Risk Management**

**Control Objective (8) - There is an up-to-date Risk Strategy and Risk Register in place which are monitored and reported on at appropriate intervals.**

- 11.1 An up-to-date Risk Strategy - the Cambridgeshire Pension Fund Risk Strategy 2019 and Risk Register CPF Dec 2021 - is in place. Reporting and monitoring (ref: 11.1) within the document states "Progress in managing risks will be monitored and recorded on the risk register. The risk register, including any changes to the internal controls, will be provided on an annual basis to the Pension Committee. The Pension Committee will be provided with updates on an ongoing basis in relation to any significant changes to risks (for example where a risk has changed by a score of 3 or more) or new major risks (for example, scored 15 or more). As a matter of course, the Pension Fund Board will be provided with the same information as is provided to the Pension Committee (or Investment Sub-Committee as appropriate) and they will be able to provide comment and input to the management of risks."
- 11.2 It is current agreed practice (as determined by the Pensions Committee when it approved the Strategy) and referred to in the Background Section of Risk Monitoring Reports to the Pension Board and Pension Committee, that the Pension Fund Board would monitor risks on a quarterly basis and the Pension Fund Committee would review these on a bi-annually basis unless any concerns were raised by the Board prior to this. Whilst this practice enhances the risk monitoring reporting it is advisable that the strategy is updated on its next occasion to reflect the current practice.

- 11.3 Our review has confirmed the following reporting on risk management:

To the Pension Board as follows during 2021/22:

- April 2021 - Risk Monitoring Agenda Item 5 / Minute 193
- July 2021 - Risk Monitoring Agenda Item 6 / Minute 6
- Nov 2021 - Risk Monitoring Agenda Item 8 / Minute 17
- Jan 2022 - Risk Monitoring Agenda Item 6 / Minute 28

To the Pension Committee during 2021/22:

- Dec 2021 – Risk Monitoring Agenda Item 6 / Minute 28

Reporting to the Pension Committee is not in line with the agreed bi-annual review. **(See MAP 7)**



## MANAGEMENT ACTION PLAN

The Agreed Actions are categorised on the following basis:

Likelihood	H	S	I	E	<b>Essential</b> -	Action is imperative to ensure that the objectives for the area under review are met.
	M	S	I	E	<b>Important</b> -	Requires action to avoid exposure to significant risks in achieving objectives for the area under review.
	L	S	I	E	<b>Standard</b> -	Action recommended to enhance control or improve operational efficiency.
		L	M	H		
						Impact

Ref	Issue	Recommendation	Management Comments	Priority	Officer Responsible	Due Date
1	<p><b><u>Validation Checks / Employer returns</u></b></p> <p>During the year and at the year end, a validation check is undertaken to ensure all data submitted by employers is correct. Based on information provided on 22<sup>nd</sup> April 2022 by the Team Leader (Systems) 3274 queries relating to 2021-22 had not yet been resolved.</p> <p><b>Similar issue raised in the 2020/21 Audit Report.</b></p> <p>Employer monthly returns are also monitored for late submissions. At the same date above, one employer was noted as being late with monthly submissions.</p> <p><b><u>Risk</u></b></p> <p>Creates a delay in processing payments. Potential errors are not identified /resolved in a timely manner.</p>	That appropriate and timely management action is taken to resolve the number of outstanding queries and late returns based on employer data submissions.	<p>A number of validation checks are run at year end indicating where there <i>may</i> be issues with the employer data submitted during the year.</p> <p>All validation queries were issued within planned timescales. However, management of responses could have been more effective, including handling of any nil response.</p> <p>Improved processes are being effectively made for the 2021-2022 year end to manage employer responses.</p> <p>Quarterly reconciliations of employer data are also being introduced for the 2022-23</p>	<b>Important</b>	Systems & Projects Manager	31 Aug 22





Ref	Issue	Recommendation	Management Comments	Priority	Officer Responsible	Due Date
			scheme year to minimise the number of validation queries that need to be investigated at year end.			
2	<p><b><u>Employer contributions – Annual Returns</u></b> A review of the 2020-21 reconciliations highlighted that one area for follow up, based on set variance levels being exceeded (an overpayment of £92.2k), had been investigated. The Principal Accounting Technician confirmed in response to audit query that they were due to write to the employer in early May 2022 (just prior to their contributions payment being due) to advise them to make the deduction and / or keep as an additional amount against their valuation. We consider this to be an unnecessary delay in employer notification.</p> <p><b><u>Risk</u></b> Unnecessary delays in adjusting employer contributions. Cashflow implications for employers.</p>	<p>That employers who submit annual returns are notified in a timely manner after the annual reconciliation of any adjustments required to their future contributions.</p> <p><u>Note:</u> We acknowledge that the number of employers who submit annual returns is decreasing year on year. For 2020/21 the number were 7 compared to 44 in 2019/20).</p>	<p>The initial response to the audit query provided by the Fund Officer was not correct. A deeper review by Fund Officers identified that this employer was given a temporary rate whilst their opening assessment position in the fund was completed, the initial rate (16.2%) being lower than their actual rate (18.3%), the employer made up those actual contributions in the audit review period. As such the £92.2k did not represent an overpayment but arrears of employer contributions. No further action is required.</p> <p><b>Internal Audit Comment:</b> Management's comments are considered reasonable therefore we agree that no further action is required.</p>	Important	Investments and Fund Accounting Manager	Complete

Ref	Issue	Recommendation	Management Comments	Priority	Officer Responsible	Due Date
3	<p><b><u>New Dependents - Checking</u></b> Testing of five new dependent pensioners to confirm that the expected controls were operational highlighted that the calculation for two death grant payments had been checked by a Pensions Officer with a checking limit up to £10k but should have been checked by the Team Leader as they exceeded the £10k limit (£69.9k &amp; £70.4k).</p> <p><b>Similar issues raised in the 2020/21 Audit Report.</b></p> <p><b><u>New Pensioners - Authorisation</u></b> It was also noted that a payment for £308k was authorised by the Funding and Investment Manager rather than the Head of Pensions who is required to authorise all payments over £250k. Further the Funding and Investment Manager is not on the list of officers who can approve payments, which was provided to Audit.</p> <p><b><u>Risk</u></b> Non-compliance with officers' checking limits which could result in errors/irregularities in material payments not being identified in a timely manner. Inappropriate authorisation of payments.</p>	That checking and authorisation of payments should only be signed off by officers formally designated to do so as set out in the "checking limits 2022" spreadsheet.	<p>The peer checking limit of £10K relates to the level of annual pension and not the level of the death grant payment. Grants are usually proportional to calculated annual pensions and so if this up to £10k, it is assumed that the resultant grant payment can be checked by the officer who checked the original annual pension calculation.</p> <p>It is acknowledged that the current "checking limits 2022" spreadsheet does not explicitly set out checking limits for grants including death grants, and the situation may be further complicated by the fact that in some cases there are no dependant pensions to be calculated where death grants are awarded. Explicit checking limits need to be determined and put in place for these situations. We have agreed to liaise with Internal Audit to revise and update the checking and authorisation limits guidance for Pension Officers.</p>	Essential	Head of Pensions	30 Sept 22

Ref	Issue	Recommendation	Management Comments	Priority	Officer Responsible	Due Date
			<p>This £308k payment was through CHAPS as opposed to the normal BACS system as it was an urgent payment. CHAPS has different authorisation thresholds which allows officers lower in the organisational hierarchy to approve higher amounts than they can do in BACS. We will request CHAPS payment thresholds to mirror those for BACS.</p> <p>The Funding and Investment Manager has recently taken up a combined role this should have been updated to be reflected on the list of approvers. This will be actioned accordingly, as part of the revision and updating exercise outlined above.</p>		Investments and Fund Accounting Manager	30 Sept 22
4	<p><b><u>Key Performance Indicators (KPIs)</u></b></p> <p>Confirmation was obtained from the Operations Manager (with responsibility for the preparation and reporting on the KPIs) on their checks of the SLA misses spreadsheet to determine the reasons</p>	Whilst the checking by the Operations Manager highlights areas for training and further improvement, which is important to the provision of the service, we recommend that some attention	<ul style="list-style-type: none"> <li>The QAO runs and reviews the reports and identifies any cases where misses have been misreported (e.g.</li> </ul>	Important	Operations Manager	30 Sept 22



Ref	Issue	Recommendation	Management Comments	Priority	Officer Responsible	Due Date
	<p>and appropriateness of actions provided by the Team Leaders for missed targets, in order to avoid re-occurrence. It is our opinion that there is an inherent weakness in the checks undertaken as these concentrates on the SLA misses that have been decided without spot checking of initially classified “near misses” which are not formally reported.</p> <p><b>Risk</b> Reclassification errors not identified. Performance erroneously and or deliberately changed to improve performance reported.</p>	<p>should be directed to sample checking by the Operations Manager of the reclassification of “near misses”, which are not reported as SLA misses, to ensure the accuracy and completeness of this stage of reporting.</p>	<p>due to the case being with a third party).</p> <ul style="list-style-type: none"> <li>The QAO highlights any remaining potential misses to the team leaders.</li> </ul> <p>The team leaders then review and confirm whether or not they agree with these misses.</p> <ul style="list-style-type: none"> <li>The QAO and manager then review these again and agree / disagree with any changes made by the team leaders.</li> </ul> <p>Oversight by the Operations Manager of any cases being changed from a “miss” to “target met” as part of the first step will be increased.</p>			
5	<p><b>Breaches (1) – Policy</b> Reporting Breaches of the Law to the Pensions Regulator Policy 2018 - Section 5. Review 5.1 states the policy is expected to be appropriate for the long-</p>	<p>That the Reporting Breaches of the Law to the Pensions Regulator Policy 2018 is reviewed</p>	<p>The review of the Policy was delayed whilst awaiting changes to the Regulator’s Code of Practice. The Code of Practice changes have now</p>	Important	Governance & Regulations Manager	31 Oct 22

Ref	Issue	Recommendation	Management Comments	Priority	Officer Responsible	Due Date
	<p>term but will be reviewed every two years to ensure it remains accurate and relevant. The policy is therefore in need of review.</p> <p><b>Risk</b> If the policy does not remain accurate and relevant this could lead to out-of-date practices being followed.</p>	in a timely manner and updated as required.	been pushed back multiple times so we have now proceeded with a review of the Policy. This Policy was scrutinised by the Local Pension Board on 1 July 2022 and will be reviewed by the Pensions Committee in October 2022.			
6	<p><b>Breaches (2) – Identification</b> As part of the review, we sought and obtained clarification from the Governance and Regulations Manager confirming that it is not possible to identify and report <u>all</u> breaches. Reasons provided included breach identification in the first instance, the large number of processes involved, and the limited resources available to oversee every process in the identification of breaches and reporting thereof. This limitation should be noted by senior management.</p> <p><b>Risk</b> Insufficient resources dedicated to the identification of breaches resulting in (important) breaches not being identified.</p>	<p>That the current arrangements in relation to breaches are reviewed in order to maximise the identification, classification, and reporting of such.</p> <p>Management should also consider periodically undertaking the following as standard practice:</p> <ul style="list-style-type: none"> <li>• Benchmarking with other pension funds might provide areas for retrospective checking if not already identified by the CPF &amp; NPF.</li> <li>• Where KPIs have not been met (those reported to the Pensions Board and others internally) this may indicate potential breaches.</li> </ul>	<p>Red KPIs that relate to performance outside of statutory targets should already result in a breach being reported where appropriate.</p> <p>Other areas of activity also feed into breach reporting such as annual benefit statement production, dispute resolution and contribution pay over. An analysis by the Fund's Governance Consultant to ensure all appropriate areas are being reported has been commissioned.</p>	Important	Governance & Regulations Manager	31 Dec 2022

Ref	Issue	Recommendation	Management Comments	Priority	Officer Responsible	Due Date
	<p>Potential non-compliance with Pensions Regulator requirements for identifying and reporting breaches.</p> <p>Areas for improvement not readily identified.</p>					
7	<p><b><u>Pension Fund Committee Meetings</u></b> The Cambridgeshire Risk Strategy and Risk Register were reviewed and approved by the Pension Fund Committee on 28<sup>th</sup> March 2019. At this time, it was agreed that the Pension Fund Board would monitor risks in a quarterly basis and the Pension Fund Committee would review on a bi-annual basis, unless any concerns were raised by the Board prior to this.</p> <p>Testing confirmed that risk monitoring was on the agenda for the Pension Board quarterly as agreed. However, for the period March 2021 – March 2022 risk monitoring was only reported to the Pension Fund Committee in December 2021, and therefore has not been monitored bi-annually as agreed.</p> <p><b><u>Risk</u></b> Non-compliance with the risk monitoring reporting frequency to the Pension Fund Committee could result in key</p>	<p>That risk is reported to and monitored on a bi-annual basis by the Pension Fund Committee, as agreed. In addition, the strategy should be updated at the next opportunity to reflect current practices.</p>	<p>The Committee meeting of 10th June 2021 was cancelled by the administering authority due to lack of a venue and COVID virtual meeting relaxations having been removed. The Risk Register was due to be presented at this meeting. The meeting was never rescheduled, therefore the Risk Register went to 1 out of 3 meetings instead of 2 out of 4 meetings over the review period (the July meeting is an annual meeting and not part of the normal quarterly meeting cycle). Risk Register reviews have been at the expected frequency since this date.</p> <p>No further action required.</p> <p><b>Internal Audit Comment:</b></p>	Important	N/A	N/A



Ref	Issue	Recommendation	Management Comments	Priority	Officer Responsible	Due Date
	information not being brought to the committee's attention in a timely manner.		We acknowledge management's comments that no further action is required.			

## Appendix 1 – Glossary / Definitions

There are three elements to consider when determining an assurance opinion as set out below.

### 1 Control Environment / System Assurance

The adequacy of the control environment / system is perhaps the most important as this establishes the key controls and frequently systems ‘police/ enforce’ good control operated by individuals.

Assessed Level	Definitions
Substantial	There are minimal control weaknesses that present very low risk to the control environment.
Good	There are minor control weaknesses that present low risk to the control environment.
Satisfactory	There are some control weaknesses that present a medium risk to the control environment.
Limited	There are significant control weaknesses that present a high risk to the control environment.
No Assurance	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment.

### 2 Compliance Assurance

Strong systems of control should enforce compliance whilst ensuring ‘ease of use’. Strong systems can be abused / bypassed and therefore testing ascertains the extent to which the controls are being complied with in practice. Operational reality within testing accepts a level of variation from agreed controls where circumstances require.

Assessed Level	Definitions
Substantial	The control environment has substantially operated as intended with no notable errors detected.
Good	The control environment has largely operated as intended although some errors have been detected.
Satisfactory	The control environment has mainly operated as intended although errors have been detected.
Limited	The control environment has not operated as intended. Significant errors have been detected.
No Assurance	The control environment has fundamentally broken down and is open to significant error or abuse.

### 3 Organisational Impact

The overall organisational impact of the findings of the audit will be reported as major, moderate or minor. All reports with major organisational impact will be reported to ELT along with the relevant directorate’s agreed action plan.



<b>Organisational Impact of Findings</b>	
<b>Level</b>	<b>Definitions</b>
<b>Major</b>	The weaknesses identified during the review have left the Council open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole.
<b>Moderate</b>	The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a moderate impact upon the organisation as a whole.
<b>Minor</b>	The weaknesses identified during the review have left the Council open to low risk. This could have a minor impact on the organisation as a whole.

#### **4 Findings prioritisation key**

When assessing findings, reference is made to the Risk Management matrix which scores the impact and likelihood of identified risks arising from the control weakness found, as set out in the Management Action Plan.

For ease of reference, we have used a high/medium/low system to prioritise our recommendations, as follows:

<b>Category</b>	<b>Definitions</b>
<b>Essential</b>	Action is imperative to ensure that the objectives for the area under review are met.
<b>Important</b>	Requires actions to avoid exposure to significant risks in achieving objectives for the area.
<b>Standard</b>	Action recommended to enhance control or improve operational efficiency.

**Distribution List**

**Full Report Issued for Action:** Mark Whitby - Head of Pensions  
Joanne Kent - Governance and Regulations  
Manager

**Full Report Issued for Information:** Tom Kelly - Director of Resources (Section 151  
Officer)  
Martin Henry - Executive Director of Finance  
(Section 151 Officer)

This audit and report have been prepared in line with the Internal Audit Manual and has been  
subject to appropriate review.

**Head of Audit & Risk Management**

**Approval:** Audra Statham (Interim)

**Quality Reviewed:** Scott Peasland - Audit Manager

**Lead Auditor:** Anand Persaud - Principal Auditor

# Cambridgeshire Pension Fund

## Pension Fund Committee

25 October 2022

Report by: Head of Pensions

Subject: Ernst and Young Audit Plan for Cambridgeshire Pension Fund 2021-22

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

Recommendations: The Pension Fund Committee:

a) Note the Audit Plan 2021-22 and the presentation by Ernst and Young

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### 1. Purpose of report

1.1 To present the Audit Plan from Ernst and Young.

### 2. Executive summary

2.1 Ernst and Young (EY) act as the Cambridgeshire Pension Fund's external auditors. As the external auditors they have produced a plan of the 2021-22 audit of the Cambridgeshire Pension Fund.

### 3. Report background

3.1 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 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<sup>st</sup> April to 31<sup>st</sup> March and that the SOA is free from material misstatement.

### 4. Content, responsibilities and timeline

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

4.1.1 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 2022 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2022; and

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

4.2 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.

4.3 Page 5 of the accompanying report identifies the key risks and areas of auditor focus, details the Auditor's planned approach to these risk areas. These, along with the Fund's approach are summarised in the following table.

Risk/area of focus	Audit approach	Fund approach
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 the Bank and consider appropriateness of assumptions used</li> <li>Ensure values used are in line with relevant accounting policies</li> <li>Ensure value of the Bank is in line with Grant Thornton's valuation report</li> </ul>	<ul style="list-style-type: none"> <li>Instruct Grant Thornton to provide a valuation report for the 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</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>

Risk/area of focus	Audit approach	Fund approach
	output for reasonableness <ul style="list-style-type: none"> <li>Obtain internal control reports from fund managers</li> <li>Review investment valuation disclosures to verify significant judgements have been appropriately made</li> </ul>	
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> </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>

- 4.4 Page 16 of the accompanying report sets out the planned materiality levels for the audit, based on 1% of net assets of £4.3bn, which are planned to be:

Audit Area	Materiality
Planning Materiality	£43m
Performance Materiality	£32.3m
Audit Differences	£2.2m

- 4.5 Page 25 of the accompanying report sets out the proposed timeline for delivery of the audit. The key planned milestones are:

Milestone	Planned dates	Status
Planning	June 2022	Completed
Report audit plan	July 2022	Completed
Year end Audit	August -September 2022	Completed
Audit Findings Report	December 2022	Deadline 30 September 2022

- 4.6 The statutory date for publication of the final set of the Council's Statement of Accounts is the end of September, or as soon as reasonably practicable after the receipt of the auditor's final findings (if later). A verbal update on progress will be made at this meeting.

- 4.7 The statutory date for publication of the Pension Funds Annual Report is 1st December.

## 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 -

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

## 9. Legal Implications

9.1 There are no legal implications arising from the proposals.

## 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.

## 11. Alternative Options Considered

11.1 Not applicable.

## 12. Background Papers

12.1 Not applicable.

## 13. Appendices

### 13.1 Appendix A – Audit Plan 2021-22

#### Checklist of Key Approvals

Is this decision included in the Business Plan?	Not applicable.
Will further decisions be required? If so, please outline the timetable here	No.
Is this report proposing an amendment to the budget and/or policy framework?	No.
Has this report been cleared by Chief Finance Officer/Section 151 Officer?	Yes.
Has this report been cleared by Head of Pensions?	Yes.
Has the Chair of the Pension Fund Committee been consulted?	Yes.
Has this report been cleared by Legal Services?	Yes.



The background image shows a group of people sitting around a white table, looking at and pointing to various documents. A person in a yellow shirt is visible at the top, and another person's hand is pointing at a document in the center. A smartphone is lying on the table near the bottom left. The scene is brightly lit, suggesting an office or meeting environment.

# **Cambridgeshire Pension Fund**

## **Initial Audit Plan**

Year ended 31 March 2022

15 July 2022



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

15 July 2022

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 2021/22 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 2020/21 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 2021/22. 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 be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 29 September 2022 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

Enc

# 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 2021/22 audit strategy





## Overview of our 2021/22 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 reports 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 2021/22 financial statements, the Pension Fund has a £85.0 million investment in Cambridge and Counties Bank (CCB) Bank. The Pension Fund's investment in CCB is a hard to value Level 3 investment, as there is a lack of observable inputs and prices are not publicly available, and 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 over stated in the accounts.</p> <p>We consider this a non-routine investment for a Pension Fund, which therefore requires specialist valuation. We have not identified any issues in previous years and the Pension Fund continue to use an expert in this area, however this remains a material estimate based on a complex valuation model. On this basis, we have deemed it a significant risk.</p>

## Overview of our 2021/22 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 complex Level 3 Investments (unquoted investments)	Significant risk	Increase in risk	<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 2021/22 draft accounts, approximately 26% of the overall Fund, totalling £1,101 million, 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.</p>
Valuation of Level 2 Investments (Pooled Investments)	Inherent Risk	Increase in risk	<p>The Fund's investments also include other Pooled Investment vehicles, totalling £2,932 million in the 2021/22 draft accounts. 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.</p>
IAS26 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 a roll-forward of data from the previous triennial valuation in 2019/20, updated where necessary, and has regard to 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 2022.</p>

## Overview of our 2021/22 audit strategy

### Materiality

Planning  
materiality

£43.0m

Performance  
materiality

£32.3m

Audit  
differences

£2.2m

Materiality has been set at £43.0 million, which represents 1% of the net assets of the scheme available to fund benefits per the 2021/22 draft accounts. This is the same percentage we applied in the prior year. The Pension Fund is a public interest entity and a major local authority based on its size and as such, we have determined that planning materiality of 1% is an appropriate level.

Performance materiality has been set at £32.3 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.

We will report all uncorrected misstatements relating to the primary statements (Net Assets Statement and Pension Fund Account) greater than £2.2 million. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit and Accounts Committee.

# Overview of our 2021/22 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 2022 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2022; 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 2021/22 audit strategy

### Timeline

The Ministry of Housing, Communities and Local Government 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).

In December 2021, the Department for Levelling Up, Housing and Communities (DLUHC) announced proposals to extend the deadline for the publication of audited accounts to 30 November 2022 for the 2021/22 financial statements.

We are working with the Pension Fund to deliver the audit in advance of 30 November but publication is linked to the audit of the County Council's accounts. We will work with the Council to ensure that appropriate publication wording is published by the date set out above. In Section 06 we include a provisional timeline for the audit.



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## 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 this may result in misstatements either due to fraud or error.

We have therefore identified investment assets valuation and investment income as a fraud risk.

We will determine whether this risk is applicable to both investment assets and investment income depending on whether income is material once we have received the draft financial statements.

### 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
- ▶ 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;
- ▶ Re-perform 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 for business rationale.

## 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 and as such there is a degree of judgement in their valuation. From our review of the draft 2021/22 financial statements, the Fund had a £85.0 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 risk that this could be under or over stated in the accounts.

#### What will we do?

Our approach will focus on:

- ▶ Engaging with EY Transaction 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;
- ▶ We will ensure that the CCB investment have been valued in accordance with the relevant accounting policies; and
- ▶ The audit team will test 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 2021/22 draft accounts, approximately 26% of the overall Fund, totalling £1,101 million, was within this investment type, and 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; and
- ▶ 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;
- ▶ Review 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>Valuation of Level 2 investments - Pooled Investments (Inherent risk)</b></p> <p>The Fund's investments also include other Pooled Investment vehicles totalling £2,932 million in the 2021/22 draft accounts. 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>▶ Review 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>IAS 26 disclosure - Actuarial present value of promised retirement benefits (area of audit focus)</b></p> <p>The Fund's IAS 26 calculation shows that the present value of promised retirement benefits amount to £5,774 million as at 31 March 2021.</p> <p>The figure is material and subject to complex estimation techniques and judgements by the Actuary, Hymans Robertson. The estimate is based on a roll-forward of data from the previous triennial valuation in 2019/20, updated where necessary, and has regard to 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 2022.</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, Hymans Robertson;</li> <li>▶ Engaging with the NAO's consulting actuary and our EY Pensions Advisory Team to review the IAS26 approach applied by the actuary are reasonable and compliant with IAS26; and</li> <li>▶ Ensuring that the IAS26 disclosure is in line with the relevant standards and consistent with the valuation provided by the Actuary.</li> </ul>



03

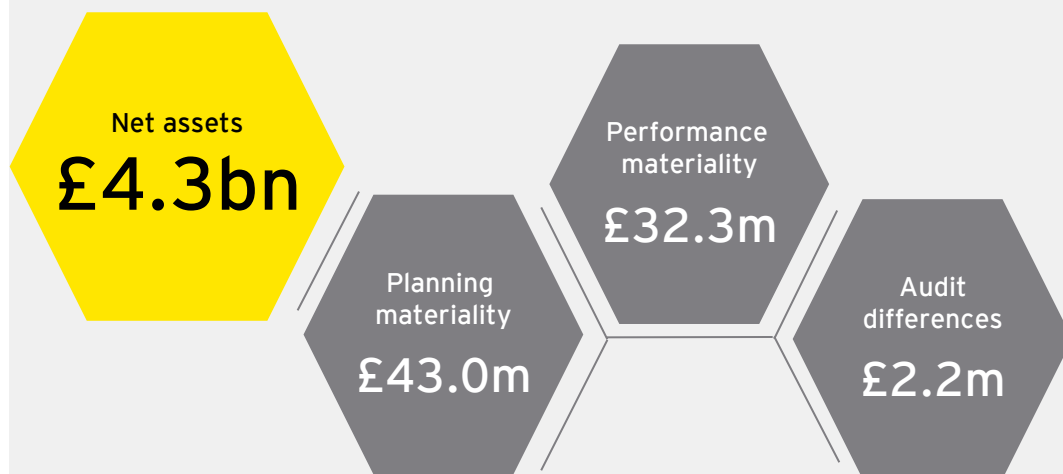
## Audit materiality



# Materiality

### Materiality

For planning purposes, materiality for 2021/22 has been set at £43.0 million. This represents 1% of the Pension Fund's net assets within the 2021/22 draft accounts. 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 £32.3 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 2021/22 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

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 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, 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 and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

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;
- ▶ 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; and
- ▶ 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 2021/22 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 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 plans 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.





05

## Audit team



## Audit team

### Audit team

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

Mark is supported by Jacob McHugh, Audit Manager, who is responsible for the day-to-day direction of audit work and is the key point of contact for the finance team. The audit team will be led by Mary Springer, 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) EY Pensions Advisory Team
Cambridgeshire & Counties Bank Investment valuation	Grant Thornton (Cambridgeshire Pension Fund valuer for Cambridge & Counties Bank valuation) EY Transactions Team (for support on Cambridge & Counties Bank valuation)
Investment valuation	The Pension Fund's Custodian and Fund Managers

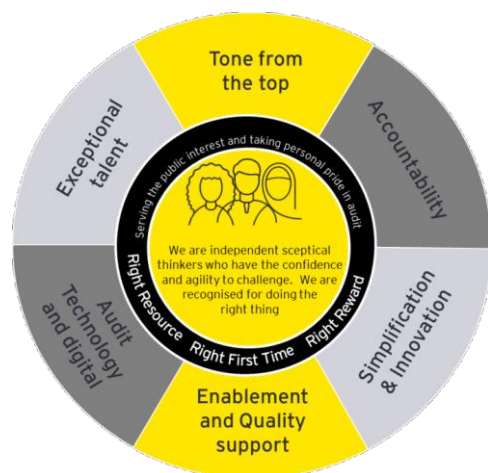
In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

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:

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

# Developing the right Audit Culture

In July 2021, EY established a UK Audit Board (UKAB) with a majority of independent Audit Non-Executives (ANEs). The UKAB will support our focus on delivering high-quality audits by strengthening governance and oversight over the culture of the audit business. This focus is critical given that audit quality starts with having the right culture embedded in the business.

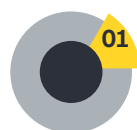


Our audit culture is the cement that binds together the building blocks and foundation of our audit strategy. We have been thoughtful in articulating a culture that is right for us: one that recognises we are part of a wider, global firm and is clear about whose interests our audits serve.

There are three elements underpinning our culture:

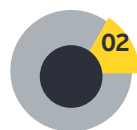
1. Our people are focused on a **common purpose**. It is vital we foster and nurture the values, attitudes and behaviours that lead our people to do the right thing.
2. The essential attributes of our audit business are:
  - ▶ **Right resources** – We team with competent people, investing in audit technology, methodology and support
  - ▶ **Right first time** – Our teams execute and review their work, consulting where required to meet the required standard
  - ▶ **Right reward** – We align our reward and recognition to reinforce the right behaviours

## 3. The six pillars of **Sustainable Audit Quality** are implemented.



### Tone at the top

The internal and external messages sent by EY leadership, including audit partners, set a clear tone at the top - they establish and encourage a commitment to audit quality



### Exceptional talent

Specific initiatives support EY auditors in devoting time to perform quality work, including recruitment, retention, development and workload management



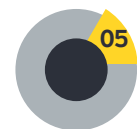
### Accountability

The systems and processes in place help EY people take responsibility for carrying out high-quality work at all times, including their reward and recognition



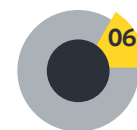
### Audit technology and digital

The EY Digital Audit is evolving to set the standard for the digital-first way of approaching audit, combining leading-edge digital tools, stakeholder focus and a commitment to quality



### Simplification and innovation

We are simplifying and standardising the approach used by EY auditors and embracing emerging technologies to improve the quality, consistency and efficiency of the audit



### Enablement and quality support

How EY teams are internally supported to manage their responsibility to provide high audit quality

A critical part of this culture is that our people are **encouraged and empowered to challenge and exercise professional scepticism** across all our audits. However, we recognise that creating a culture requires more than just words from leaders. It has to be reflected in the lived experience of all our people each and every day enabling them to challenge themselves and the companies we audit.

Each year we complete an audit quality culture assessment to obtain feedback from our people on the values and behaviours they experience, and those they consider to be fundamental to our audit quality culture of the future. We action points that arise to ensure our culture continues to evolve appropriately.

### 2021 Audit Culture Survey result

A cultural health score of 78% (73%) was achieved for our UK Audit Business

We bring our culture alive by investing in three priority workstreams:

- Audit Culture with a focus on professional scepticism
- Adopting the digital audit
- Standardisation

This investment has led to a number of successful outputs covering training, tools, techniques and additional sources. Specific highlights include:

- Audit Purpose Barometer
- Active Scepticism Framework
- Increased access to external sector forecasts
- Forensic risk assessment pilots
- Refreshed PLOT training and support materials, including embedding in new hire and trainee courses
- Digital audit training for all ranks
- Increased hot file reviews and improved escalation processes
- New work programmes issued on auditing going concern, climate, impairment, expected credit losses, cashflow statements and conducting effective group oversight
- Development of bite size, available on demand, task specific tutorial videos

*"A series of company collapses linked to unhealthy cultures.....have demonstrated why cultivating a healthy culture, underpinned by the right tone from the top, is fundamental to business success."*

Sir John Thompson  
Chief Executive of the FRC





## 06 Audit timeline







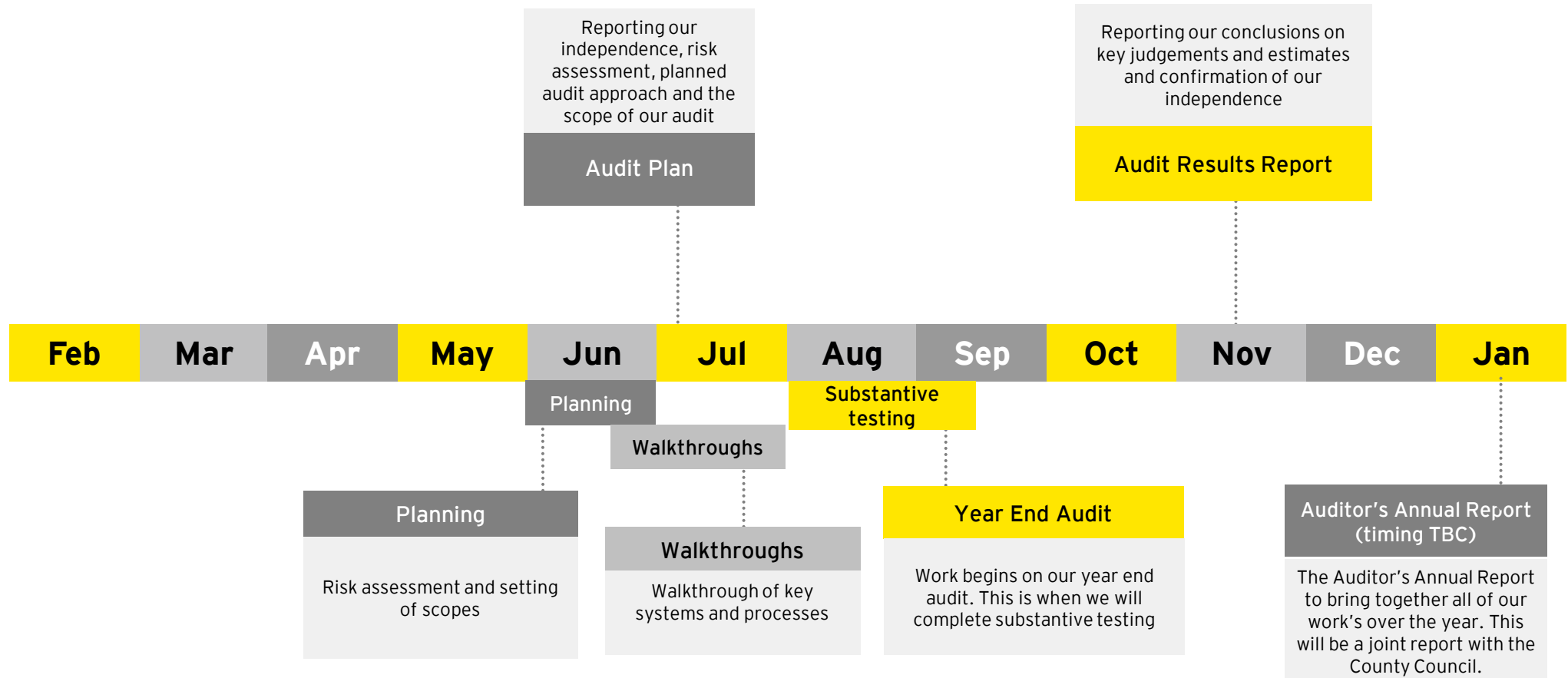
## Audit timeline

# 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 2021/22.

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.





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# 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;</li> <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>

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

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### Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.  
There are no other threats at the date of this report.

## Other Communications

### EY Transparency Report 2021

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 2021: [https://www.ey.com/en\\_uk/about-us/transparency-report-2021](https://www.ey.com/en_uk/about-us/transparency-report-2021)





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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 2021/22	Scale fee 2021/22	Final Fee 2020/21
	£'s	£'s	£'s
Total Fee - Code work	17,256	17,256	17,256
Changes in work required to address professional and regulatory requirements and scope associated with risk (Note 1)	56,305	-	56,305
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)	8,800	-	8,000
<b>Total fees</b>	<b>TBC</b>	<b>17,256</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 has 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:** As noted on Page 8, 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 2021/22 the scale fee has again been re-assessed to take into account the same recurring risk factors as in 2019/20 and 2020/21 and is subject to determination by PSAA Ltd - subject to annual price uplifts.



**Note 2:** For 2020/21 and 2021/22 there are a number of additional risk factors to the audit as outlined within this audit plan - such as the impact of Covid-19 and the valuation of Cambridge & Counties Bank. As our 2020/21 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 2021/22 audit.

**Note 3:** We plan to charge an additional fee of £8,800 in 2021/22 to take into account the work required to respond to IAS19 assurance requests from admitted bodies and their auditors. The Pension Fund can recharge this fee to 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	Initial Audit Plan - 29 September 2022 - 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 - 24 November 2022 - 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</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	Audit Results Report - 24 November 2022 - 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 - 24 November 2022 - 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 - 24 November 2022 - 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 - 24 November 2022 - 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</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	Audit Results Report - 24 November 2022 - 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</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>Initial Audit Plan - 29 September 2022 - Audit and Accounts Committee</p> <p>Audit Results Report - 24 November 2022 - 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 - 24 November 2022 - 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 - 24 November 2022 - Audit and Accounts Committee
Internal controls	<ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit</li> </ul>	Audit Results Report - 24 November 2022 - Audit and Accounts Committee
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report - 24 November 2022 - 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 - 24 November 2022 - Audit and Accounts Committee
Auditors report	<ul style="list-style-type: none"> <li>Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit Results Report - 24 November 2022 - 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>	<p>Initial Audit Plan - 29 September 2022 - Audit and Accounts Committee</p> <p>Audit Results Report - 24 November 2022 - Audit and Accounts Committee</p> <p>Auditor's Annual Report - January 2023 (date TBC) - Audit and Accounts Committee.</p>

## 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 2, 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; and
- ▶ 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.

**About EY**

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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# Cambridgeshire Pension Fund

## Pension Fund Committee

25 October 2022

Report by:	Head of Pensions
Subject	Administration Performance Report
Purpose of the Report	To present the Administration Performance Report to the Pension Fund Committee
Recommendations:	The Pension Fund Committee are asked to note the Administration Performance Report
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 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 May to 31 July 2022 (appendix 1). The majority of KPIs were met over the period.
  - 2.1.2 Timeliness of receipt of employee and employer pension contributions for the payroll periods of July 2021 to June 2022 (appendix 2). Over 99% was achieved for April, May and June 2022.
  - 2.1.3 Occurrences of breaches of the law for the period 1 May to 31 July 2022 (section 5). There were no material breaches in the period.
  - 2.1.4 Details of any Internal Dispute Resolution Procedure cases during the period 1 May to 31 July 2022 (section 6). There was one employer dispute raised during the period.
  - 2.1.5 Occurrences of material data breaches for the period of 1 May to 31 July 2022 (section 7). There were no material breaches in the period.
  - 2.1.6 Details of any significant overpayment of pension for the period 1 May to 31 July 2022 (section 8). There were no significant overpayments in the period.

### 3. Key Performance Indicators – Pensions Service

- 3.1 The Pension Fund Committee has previously agreed a set of key performance indicators (KPIs) to assess the performance of the Pensions Service.
- 3.2 Full KPI details for the period 1 May to 31 July 2022 can be found in appendix 1.
- 3.3 Over the 3-month period service performance has been consistently good with all targets being met with the exception of five.
- 3.4 In May and June, the targets were missed due to performance issues within the team that issue transfer in and transfer out quotes that have since been addressed.
- 3.5 In June and July, there were resourcing issues within the team that deals with the payment of retirement benefits from active employment with which resulted in the targets being missed. There were three vacancies for the period, two of the vacancies have now been filled with one new team member in position for July and the other for September, the remaining vacancy is currently being advertised.
- 3.6 In July, there was a training issue within the team who deal with the awards of dependent benefits which led to the target marginally being missing, the issue has been addressed.

### 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 2 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 July 2021 to 30 June 2022.
- 4.3 For April 2022 99.6% of contributions were paid on time, for May 99.2% and for June 99.6%. The current yearly average for payments made on time is 99.4% and schedules being received on time is 99.4%.

### 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 May to 31 July 2022, the following breaches occurred:

Type of Breach	Detail of Breach	Course of action
Material Breaches	None	None
Non Material Breaches	5 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.

## 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 There were no administering authority disputes raised for the period.
- 6.3 The following table details that activity undertaken during the period 1 May to 31 July 2022 with regards to employer disputes.

Nature of dispute	Stage 1 (Head of Pensions)	Stage 2 (Cambridgeshire County Council Monitoring Officer)
Refusal of request for early payment of benefits on ill health grounds from active service.	N/A	<p>Appeal against scheme employer decision received 29 June 2022.</p> <p>Decision not to uphold the complaint was issued 14 September 2022 (original deadline of 28 August had previously been extended to 18 September 2022).</p>

## 7. Material Data Breaches

- 7.1 None.

## 8. Significant overpayments of pension

- 8.1 None.

## 9. Relevant Pension Fund Objectives

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. *Objective 1*

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*

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. *Objective 3*

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

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

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

Administer 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: [Cambridgeshire Pension Fund Risk Register.](#)

## 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 The Fund is seeking recovery of the overpayment as detailed in section 7 of the report in order to mitigate any impact on the Fund or scheme employers.

## 13. Legal Implications

- 13.1 Legal advice was sought from the Fund's advisors in relation to the Internal Dispute Resolution Procedure as referenced in section 6.

## 14. Consultation with Key Advisers

- 14.1 Consultation with the Fund's advisers was not required for this report.

## 15. Alternative Options Considered

- 15.1 Not applicable

## 16. Background Papers

- 16.1 Not applicable

## 17. Appendices

- 17.1 Appendix 1 Key Performance Indicators – Pensions Service
- 17.2 Appendix 2 Receipt of Employee and Employer Contributions
- 17.3 Appendix 3 Late payment of employer contributions (**exempt**)

### Checklist of Key Approvals

Has this report been cleared by Section 151 Officer? Sarah Heywood – 29/9/2022

Has this report been cleared by Head of Pensions? Mark Whitby – 14/9/2022

Has the Chair of the Pension Committee been consulted? Councillor Whelan – 14/10/2022

Has this report been cleared by Legal Services? Fiona McMillan – 30/9/2022





# Appendix 1 - Key Performance Indicators – Pensions Service May, June & July 2022

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%	May June July	231 242 159	220 235 150	11 7 9	95 97 94	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%	May June July	68 55 33	65 51 33	3 4 0	96 93 100	Green Amber Green	SLA target met SLA target not met* SLA target 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%	May June July	95 72 42	86 65 39	9 7 3	91 90 93	Green Green Green	SLA target met SLA target met SLA target met
Award dependant benefits – <b>Statutory</b>	Issue award within 5 working days of receiving all necessary information.	95%	May June July	40 30 31	38 30 29	2 0 2	95 100 94	Green Green Amber	SLA target met SLA target met SLA target not met**
Provide a maximum of one estimate of benefits to employees per year on request – <b>Statutory</b>	Estimate in agreed format provided within 10 working days from receipt of all information.	90%	May June July	64 53 52	61 53 51	3 0 1	95 100 98	Green Green Green	SLA target met SLA target met SLA target met

Provide transfer-in quote to scheme member – <b>Statutory</b>	Letter issued within 10 working days of receipt of all appropriate information.	95%	May June July	47 38 18	47 35 18	0 3 0	100 92 100	Green Amber Green	SLA target met SLA target not met*** SLA target met
Payment of transfer out – <b>Statutory</b>	Process transfer out payment – letter issued within 10 working days of receipt of all information needed to calculate transfer out payment.	90%	May June July	10 11 15	8 8 15	2 3 0	80 73 100	Amber Amber Green	SLA target not met *** SLA target not met *** SLA target met

\*Payment of retirement benefits from active employment – In June and July, there were resourcing issues within the team which resulted in the targets being missed. There were three vacancies for the period, two of the vacancies have now been filled with one new team member in position for July and the other in position for September, the remaining vacancy is currently being advertised.

\*\* Award dependant benefits – In July there was a training issue within the team which led to two cases missing the target. The cases related to the same dependant (the deceased member had two periods of employment) and the issue has been addressed.

\*\*\* Provide transfer-in quote to scheme member/payment of transfer out - In May and June, targets were missed due to performance issues within the team that issue transfer in and transfer out quotes that have since been addressed.

**Green:** Equal to or above Service Level Agreement (SLA) target.

**Amber:** If there is a statutory target - below SLA target, but all within statutory target.  
If there is no statutory target - below SLA target, but number completed within target is within 10% of the SLA target.

**Red:** If there is a statutory target - below SLA target and not within statutory target.  
If there is no statutory target - below SLA target and number completed within target is not within 10% of the SLA target





## Appendix 2 - 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
July 2021	98.6	1.4	98.6	1.4
August 2021	100	0	99.8	0.2
September 2021	99.6	0.4	99.8	0.2
October 2021	99.2	0.8	99.8	0.2
November 2021	99.2	0.8	100	0
December 2021	98.8	1.2	99.2	0.8
January 2022	99.6	0.4	99.4	0.6
February 2022	99.6	0.4	99.6	0.4
March 2022	99.3	0.7	99.8	0.2
April 2022	100	0	99.4	0.6
May 2022	99.2	0.8	99.6	0.4
June 2022	99.6	0.4	98.2	1.8
Average for period	99.4	0.6	99.4	0.6





# Cambridgeshire Pension Fund

## Pension Fund Committee

25 October 2022

Report by:	Head of Pensions
Subject:	Governance and Compliance Report
Purpose of the Report:	<p>To provide the Pension Fund Committee with information on:</p> <ol style="list-style-type: none"><li>1. Pensions Dashboards Regulations 2022</li><li>2. Scheme Advisory Board – Annual Report</li><li>3. Academy Guarantee</li><li>4. Skills and knowledge opportunities</li></ol>
Recommendations:	The Pension Fund Committee are asked to note the Governance and Compliance Report
Enquiries to:	Michelle Oakensen, Governance and Regulations Manager <a href="mailto:michelle.oakensen@westnorthants.gov.uk">michelle.oakensen@westnorthants.gov.uk</a>

## 2. Developments

### 2.1 Pensions Dashboards Regulations 2022

- 2.1.1 Pensions dashboards will allow individuals to see information about all their pensions, including the State Pension, in one place. These draft regulations set the requirements to be met to deliver this and will place a legal duty on pension providers to provide information to the dashboards.
- 2.1.2 There have been several sets of draft regulations and consultations issued during 2022 on the finer technical detail of establishing and connecting to a Pensions Dashboard and part of which was at what point the LGPS (and all other Public Sector Pension Schemes) would be required to connect to and supply data to a Dashboard.
- 2.1.3 In July 2022 an announcement was made that the LGPS would not be required to connect to a Dashboard at the initial staging date of April 2024 as this would not allow Funds sufficient time to undertake all the remedial work required of the McCloud remedy which can only begin from October 2023. The LGPS now has a staging date of 30 September 2024 to connect to a Pensions Dashboard and a date of 1 April 2025 to make scheme member data available on the Dashboard.
- 2.1.4 In light of this information and detail arising from the regulations and consultation responses a detailed report of the work that needs to be undertaken by the Fund to meet the staging date and to be able to provide data to the Dashboard, was commissioned from the Fund's Governance Advisors, Aon. This report will enable a detailed project plan to be devised to meet the required deadlines.
- 2.1.5 The LGPC response to the consultation can be found in full here. The Pension Fund Committee will be kept up to date with developments regarding the Pensions Dashboard.

### 2.2 Scheme Advisory Board – Annual Report

- 2.2.1 On 13 June 2022, the Scheme Advisory Board published its annual report for 2021. The report provides a single source of information about the status of the LGPS for its members, employers and other stakeholders. The report collates information supplied by the 86 administering authorities, as 31 March 2021.
- 2.2.2 The main highlights from the report are:
- Total membership increased by 1.08% to 6.226 million.
  - Total assets increase by 23.4% to £342 billion.
  - Local authority net return on investment from 1 April 2020 to 31 March 2021 was 20.56% (which was reflective of market conditions).
  - A positive cash flow was maintained overall (including investment income).
  - Over 1.8 million pensioners were paid.
  - Total management charges increased by £196 million (12.9%) primarily driven by a rise in investment management charges, while administration, oversight and governance costs remained broadly stable.
- 2.2.3 The full report can be found here [LGPS Scheme Advisory Board - Scheme Annual Report \(lgpsboard.org\)](https://lgpsboard.org).

## 2.3 Academy guarantee

- 2.3.1 In 2013, the Government introduced the academy guarantee. The guarantee provides that in the event of an academy closing, any outstanding liabilities will not revert to the LGPS Fund.
- 2.3.2 Following a reassessment, the Government confirmed on 21 July 2022 in a written ministerial statement that it will continue to provide the academy guarantee.
- 2.3.3 Although there is no end date to the guarantee, the Government is committed to regularly reassessing it to determine whether it remains affordable and is fully recognised by administering authorities.

## 2.4 Skills and knowledge opportunities

- 2.4.1 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.
- 2.4.2 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.
- 2.4.3 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.

## 3. Relevant Pension Fund Objectives

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. *Objective 1*

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*

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. *Objective 3*

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

## 4. Risk Management

- 4.1 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

- 4.2 The Fund's risk register can be found on the Pensions website: [Cambridgeshire Pension Fund Risk Register](#).

## 5. Communication Implications

- 5.1 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.
- 5.2 Employers - All relevant items are communicated to scheme employers via website updates.

## 6. Finance & Resources Implications

- 6.1 There are no financial and resource implications associated with this report.

## 7. Legal Implications

- 7.1 Not applicable

## 8. Consultation with Key Advisers

- 8.1 Consultation with the Fund's advisers was not required for this report.

## 9. Alternative Options Considered

- 9.1 Not applicable

## 10. Background Papers

- 10.1 Not applicable

## 11. Appendices

- 11.1 Appendix 1 Skills and Knowledge training schedule

## Checklist of Key Approvals

Has this report been cleared by Section 151 Officer? Sarah Heywood – 29/9/2022

Has this report been cleared by Head of Pensions? Mark Whitby – 27/9/2022

Has the Chair of the Pension Fund Committee been consulted? Councillor Whelan – 14/10/2022

Has this report been cleared by Legal Services? Fiona McMillan – 30/9/2022





## Appendix 1

### Training plan 2022/23

Date	Training	Method of delivery	Delivered by	Target audience	Additional Information
APR					
MAY					
JUN	Valuation – Contribution rate setting	Presentation - hybrid	Hymans	Committee & Board	
	Local Authority Conference 2022	Conference – face to face	Pension and Lifetime Savings Association (PLSA)	Committee, Board & Officer	<a href="#">Local Authority Conference   PLSA</a>
JULY	Responsible Investments	Presentation – virtual	Investments Team	Board	
	Investment Review	Presentation - hybrid	Mercer	Committee & Board	
AUGUST					
SEPTEMBER	Investment and Pensions Summit	Conference – face to face	Local Government Chronicle (LGC)	Committee, Board & Officer	<a href="#">LGC Investment &amp; Pensions Summit 2022 - Home Page (lgcplus.com)</a>
	Equity Protection	Presentation	Schroders/Mercer	Investment Sub Committee	
	Passive Equity	Presentation	Schroders/Mercer	Investment Sub Committee	

# Cambridgeshire Pension Fund

## Appendix 1

Date	Training	Method of delivery	Delivered by	Target audience	Additional Information
<b>OCTOBER</b>	Valuation & Funding Strategy Statement	Presentation - hybrid	Hymans	Committee & Board	
<b>NOVEMBER</b>	The Pensions Regulator Code of Practice	Virtual training session	Aon/Officers	Committee & Board	
	Conflicts of Interest	Virtual training session	Aon/Officers	Committee & Board	Session to be delivered 25 <sup>th</sup> November.
<b>DECEMBER</b>	Annual Conference 2022	Conference – face to face	Local Authority Pension Fund Forum (LAPFF)	Committee, Board & Officer	<a href="#">Events   25th LAPFF Annual Conference   LAPFF (lapfforum.org)</a>
	Valuation – Finalised Funding Strategy Statement	Presentation - hybrid	Hymans	Committee & Board	
<b>JANUARY</b>	Governance Conference	Conference – hybrid	Local Government Association (LGA)	Committee, Board & Officer	<a href="#">Events   Local Government Association</a>
<b>FEBRUARY</b>	Reporting breaches of the Law	Virtual training session	Officers	Officers	
<b>MARCH</b>	Valuation – Rates and Adjustment Certificate	Presentation - hybrid	Hymans	Committee & Board	



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## Cambridgeshire Pension Fund

### Pension Fund Committee

Date: 25 October 2022

Report by: Head of Pensions

Subject: Pension Fund Annual Business Plan Update report  
2022/23

Purpose of the Report: To present the Business Plan Update

Recommendation: The Pension Fund Committee is asked to:  
1) note the Business Plan Update  
2) approve the two new activities set out in paragraphs  
3.17 and 3.18

Enquiries to: Mark Whitby, Head of Pensions  
[mark.whitby@westnorthants.gov.uk](mailto:mark.whitby@westnorthants.gov.uk)

#### 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 have 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	Extend the existing contract and re-tender for actuarial consultancy services	Green
3.2	Extend the existing contract and re-tender for benefits and governance consultancy services	Green
3.3	Extend existing contract and re-tender for legal services provider	Green
3.4	Re-tender for pensions administration and pensioner payroll platform	Green
3.5	Continue to develop the Fund's Cyber Strategy	Green
3.6	Review and implement changes required from the Pension Regulator's new Code of Practice	Amber
3.7	Implement the best practice recommendations of the Scheme Advisory Board's good governance review	Amber
3.8	Complete the Guaranteed Minimum Pension Rectification	Green
3.9	Application of the McCloud age discrimination remedy	Green
3.10	Processing of undecided leaver records	Amber
3.11	Complete the 2022 Valuation of the Pension Fund	Green
3.12	Prepare for the implementation of Pension Dashboards	Green
3.13	Continue development of the ACCESS asset pool	Green
3.14	Decarbonisation and improved stewardship reporting	Green
3.15	Review the Fund's Property Investment Strategy	Green
3.16	Review of website and digital communications	Amber
3.17 (NEW)	Review the Investment Strategy and Strategic Asset Allocation	Green
3.18 (NEW)	Private Equity Review	Green

- 2.4 Two new activities have been added to the business plan for which we are seeking approval from the Committee. These are described in Paragraphs 3.17 and 3.18.
- 2.5 The tables in appendix A 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 2022. There are no material variances identified.
- 2.6 The link to the full Business Plan approved by the Committee in March 2022 is provided in section 12 for full context and reference.

## Procurement of Services

### 3.1 Extend the existing contract and re-tender for actuarial consultancy services

3.1.1 Activity: To extend the existing contract and re-tender for actuarial consultancy services currently with Hymans Robertson due to expire on 31 March 2024 (following extension).

#### 3.1.2 Key milestones:

Key Milestones	Dates	On target for completion?
Extend contract	January 2023	On target
Register to access national LGPS Frameworks	August 2023	On target
Draft specification of services required and associated documentation	August 2023 to September 2023	On target
Issue invitation to tender to suppliers on the Framework	October 2023	On target
Evaluate tender responses	November 2023 to December 2023	On target
Award contract	January 2024	On target

3.1.4 Update: No activity to report for the period.

### 3.2 Extend the existing contract and re-tender for benefits and governance consultancy services

3.2.1 Activity: To extend the existing contract and re-tender for the supplier of benefits and governance consultancy services currently with Aon due to expire 31 March 2024 (following extension).

#### 3.2.2 Key milestones:

Key Milestones	Dates	On target for completion?
Extend contract	January 2023	On target
Register to access national LGPS Frameworks	January 2023	On target
Draft specification of services required and associated documentation	January 2023 to February 2023	On target
Issue invitation to tender to suppliers on the Framework	March 2023	On target
Evaluate tender responses	May 2023 to June 2023	On target
Award contract	July 2023	On target

3.2.3 Update: No activity to report for the period.

### 3.3 Extend existing contract and re-tender for legal services provider

3.3.1 Activity: To extend the existing contract with Squire Patton Boggs to February 2024 and re-tender for a legal services provider.

#### 3.3.2 Key milestones:

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

3.3.3 Update: No activity to report for the period.

### 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?
Soft market testing and discussions with other Funds	April 2022 to December 2022	Complete
Obtain and complete National LGPS Framework documents	September 2022	Complete
Develop tender documents	January 2023 to March 2023	On target
Undertake framework procurement	April 2023 to September 2023	On target
Award contract to successful provider	October 2023	On target
Business process re-engineering and systems development (if new supplier)	October 2023 to September 2024	On target
Contract commences	October 2024	On target

Update: All relevant forms have been obtained from the National LGPS Frameworks and have been completed to allow access to the framework. The next stage is to

develop the tender documents in line with the planned schedule. Consultation is under way with Procurement, Legal and Data Protection teams.

## Core governance activities

### 3.5 Continue to develop the Fund's Cyber Strategy

3.5.1 Activity: Cyber-crime continues to evolve and become increasingly sophisticated and as such the cyber strategy and action plan developed in 2021/22 will need to be regularly reviewed and new activities added as time goes on.

3.5.2 Key milestones:

Key Milestones	Dates	On target for completion?
Ongoing monitoring and development of the cyber strategy and action plan evidenced by a separate agenda item at each meeting of the Pension Fund Committee and Pension Fund Board.	2022/23	On target

3.5.3 Update: Activities on the cyber strategy, data and asset mapping, cyber security surveys for main suppliers and cyber security awareness training have all been completed. Updates on the hygiene guidelines, phishing exercise, cyber security surveys for other suppliers and incident response plan will be provided as a separate agenda item at this meeting.

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

3.6.1 Activity: The new code of practice was expected to come into force summer 2022 following a delay from the Pensions Regulator. 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	Rescheduled to Autumn 2022 (Summer 2022)	Dependent upon release of the Code.
Present action plan	Pension Fund Committee December 2022 (October 2022) /Local Pension Board January 2022 (November 2022)	Rescheduled based on the above
Present update on progress on action plan	Local Pension Board April 2023 (February 2023)/Pension Fund	Rescheduled based on above



	Committee June 2023 (March 2023)	
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Update: The Pension Regulator's new code of practice was due to come into force in November 2021 but has been postponed until Autumn 2022. Once the code comes into effect the Fund will have 6 months to achieve full compliance.

### 3.7 Implement the best practice recommendations of the good governance review

3.7.1 Activity: There has been no further progress on any of the recommendations either by the Department for Levelling Up, Housing and Communities (DLUHC) or the Scheme Advisory Board (SAB).

3.7.2 Key milestones:

Key Milestones	Dates	On target for completion?
Develop an action plan to implement the best practice activities	May 2022	Dependent upon when the Scheme Advisory Board resume focus on the workplan
Present action plan and Conflicts of Interest Policy	Pension Fund Committee December 2022 /Local Pension Board January 2023 (July 2022)	Rescheduled to allow for training prior to approving the Policy
Present update on progress on action plan	Local Pension Board February 2023/ Pension Committee March 2023	Dependent upon SAB as above
Implementation of activities requiring SAB and DLUHC guidance	Dates to be confirmed upon receipt of further information	Dependent upon SAB as above

3.7.3 Update: There has been no activity from the SAB or DLUHC in this area since February 2021. Once the Scheme Advisory Board provides further details on the recommendations the Fund will develop an action plan. The approval of Conflicts of Interest Policy by the Pension Fund Committee has been rescheduled to December 2022 to allow for a training session to be held in advance.

### Scheme member and data projects

### 3.8 Complete the Guaranteed Minimum Pension Rectification

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

### 3.8.2 Key milestones:

Key Milestones	Dates	On target for completion?
Manual rectification of outstanding records.	April 2022 to March 2023	On target

3.8.3 Update: As at September 2022, approximately 550 cases requiring rectification of a scheme member's pension in payment remain outstanding. The project remains on target to complete by 31 March 2023.

## 3.9 Application of the McCloud age discrimination remedy

3.9.1 Activity: To rectify the pension records of scheme members within scope of the McCloud ruling following the implementation of the age discrimination remedy once legislation is in place.

### 3.9.2 Key milestones:

Key Milestones	Dates	On target for completion?
Data sheets returned from scheme employers	February 2022 to April 2022	Complete
Data sheets checked by Fund	May 2022 to July 2022	Complete
Uploading of revised scheme member data	August 2022 to March 2023	In progress
Devise communication plan for scheme members and scheme employers	November 2022	On target
Undertake scheme member record preparations to identify in scope members in readiness for the application of the underpin	April 2023 to September 2023	On target
Application of the revised underpin following release of amended LGPS Regulations	October 2023 onwards	On target

3.9.3 Update: DHCLG have recently announced that they expect draft regulations to be issued in late 2022, followed by a consultation in early 2023. As a result, this activity has been realigned accordingly and several new milestones added. This activity is being run on a full project basis with a number of separate workstreams and a detailed project plan.

## 3.10 Processing of undecided leaver records

3.10.1 Activity: To reduce the backlog by 2,500 cases per year for the next 3 years from a baseline of approximately 9,500 cases at the beginning of April 2022.

### 3.10.2 Key milestones:

Key Milestones	Dates	On target for completion?
Re-baseline project	April 2022	Complete

Reduce cases by 2,500	April 22 to March 23	On target
Reduce cases by a further 2,500	April 2023 to March 2024	On target
Reduce cases by a further 2,500 to a business as usual baseline	April 2024 to March 2025	On target

3.10.3 Update: As at 31 August 2022, the number of unprocessed leavers ringfenced as backlog had decreased by approximately 1,360 from the baseline in April 2022. However, the service has not been able to keep on top of business as usual (BAU) cases meaning some have become aged and therefore the overall number of cases >6 months old has only decreased by circa 500 cases. Further resource is being added to the BAU team and bulk processing was rolled out to this team in September 2022.

### 3.11 Complete the 2022 Valuation of the Pension Fund

3.11.1 Activity: The valuation date is 31 March 2022, and the work is carried out during 2022/23 with results to be published by 31 March 2023 and new employer contribution rates effective from 1 April 2023.

3.11.2 Key milestones:

Key Milestones	Dates	On target for completion?
Provision, validation and sign-off of valuation data	July 2022 – August 2022	Complete
Provision of whole Fund results by Fund Actuary	September 2022	Complete
Discuss whole Fund results with Committee	October 2022	On target
Committee to approve Funding Strategy Statement for consultation	October 2022	On target
Funding Strategy Statement issued for consultation	November 2022	On target
Issue draft employer results and contribution strategies to scheme employers	November 2022 to December 2022	On target
Committee to approve final Funding Strategy Statement	December 2022	On target
Consultation and discussions with employers to agree contribution strategies	December 2022 – February 2023	On target
Publication of final valuation report and certified contribution rates	31 March 2023	On target

3.11.3 Update: All valuation activities are on target or completed. Membership data has been provided to the actuary, reviewed and signed off for use in the valuation. The whole Fund results and Funding Strategy Statement will be presented as an agenda item at this meeting.

### 3.12 Prepare for the implementation of Pension Dashboards

3.12.1 Activity: To prepare for the implementation of Pension Dashboards by 30 September 2024.

3.12.2 Key milestones:

Key Milestones	Dates	On target for completion?
Work with the Pensions Administration Software supplier to connect to a Pensions Dashboard by the deadline of 30 September 2024.	April 2022 – September 2024	On target
Devise project plan and workstreams to prepare for connection to the Dashboard with clean value data.	October to November 2022	On target
Connect to the Pension Dashboard	By 30 September 2024	On target
Provide value data to the Pension Dashboard	By 1 April 2025	On target

3.12.3 Update: Recently issued draft regulations have extended the staging date for LGPS Funds to connect to a Pensions Dashboard to 30 September 2024 to allow for the remedial work of McCloud to be completed. Data must be available on the Dashboard by 1 April 2025. The release of the draft regulations has provided more detailed information as to what is required of Pension Funds and as such this activity has been initially rescoped. It is expected that this activity will be rescoped further once a project plan has been established.

#### Investment related activities

### 3.13 Continue development of the ACCESS asset pool

3.13.1 Activity: The ACCESS pool has recently appointed MJ Hudson as Implementation Adviser for Illiquid Assets. During 2022/23 MJ Hudson will be implementing pooled solutions for investing in Illiquid assets. Due to the illiquid nature of this asset class, migration of the Fund's assets may take several years.

3.13.2 Key milestones:

Key Milestones	Dates	On target for completion?
Transition into the new Multi Asset Credit sub fund	By 31 March 2023	On target
Produce plan for investing in illiquid assets in the pooled solution	By 31 March 2023	On target

3.13.3 Update: Following data collection and analysis on non-listed assets by MJ Hudson across ACCESS pool members, Real Estate (Property) has been approved by the ACCESS Joint Committee (AJC) as the first asset class to be progressed. Hampshire County Council have been appointed as the procurement lead and

procurement documents have been developed and are currently being finalised. MJ Hudson have prepared a document, for consideration by ACCESS pool members, detailing the proposed running order for the procurement of remaining non-listed asset classes.

### 3.14 Decarbonisation and improved stewardship reporting

3.14.1 Activity: During 2022/23 the Fund is planning to commence the transition to a more sustainable portfolio by reviewing its passive equities mandates and commence Task Force on Carbon-Related Financial Disclosures (TCFD) reporting. The Fund will also prepare its first submission under the UK Stewardship Code.

#### 3.14.2 Key milestones:

Key Milestones	Dates	On target for completion?
Draft TCFD report to be included in Fund annual report	December 2022	In progress
Commence implementation of decarbonisation changes to passive and active equity mandates	December 2022	On target
Draft Stewardship Code submission presented to the Investment Sub Committee	March 2023	On target

3.14.3 Update: It was agreed with the Pension Fund Committee that the Fund's TCFD position will be reported within the 21/22 Statement of Accounts which is currently being finalised.

The Fund has developed a Climate Action Plan which includes approved decarbonisation targets to reduce carbon emissions with the aim of achieving net zero by 2050 or earlier. Progress against the Plan is shown in Appendix B.

Implementation of decarbonisation changes to passive mandates is progressing well with new passively managed options presented to Investment Sub-Committee members in September, with a decision planned for the November Sub-Committee meeting. Active equity fund managers have been engaged with and made aware of the intentions of the Fund.

### 3.15 Review the Fund's Property Investment Strategy

3.15.1 Activity: A review of the mandate will be undertaken, including consideration of possible enhancements to the property strategy, especially considering the expected benefits arising from the pooling agenda.

#### 3.15.2 Key milestones:

Key Milestones	Dates	On target for completion?
Report on strategy review presented to Investment Sub Committee	November 2022	On target

Implement required asset class changes from property review	December 2022 – March 2023	On target
Communicate Fund's new requirements to the ACCESS illiquid asset programme	December 2022	On target

3.15.3 Update: A property portfolio review covering the target split across real estate styles, sectors, geographies, and implementation route/timeline was presented at the September 2022 ISC for consideration. This review will help shape the Fund's Property Investment Strategy and feed into the Fund's overall Investment Strategy Review which will agree target allocations across all asset classes.

## Communications

### 3.16 Review of website and digital communications during 2022/23

3.16.1 Activity: The Fund's web offering will be reviewed to assess whether the website is still fit for purpose and alternative options available to meet the needs of the Fund's stakeholders.

#### 3.16.2 Key milestones:

Key Milestones	Dates	On target for completion?
Initial engagement with key stakeholders and agreement of project objectives	April 2022 – June 2022	Completed (August) – Delay from initial target date due to resource constraints within the WNC Digital team.
Review of initial engagement including mapping of user journeys and key insights	July 2022 – August 2022	Complete
Investigation into any identified "pain points" identified by user groups and identification of any further areas for improvement	Rescheduled to September – October 2022 (August 2022 - September 2022)	On target
Stakeholder demonstration of new user journeys and prototype web pages/functions	Rescheduled to October – November 2022 (September 2022 – October 2022)	On target

Presentation of key recommendations to officers	Rescheduled to November – December 2022 (October 2022 – November 2022).	On target
Present outcomes and recommendations to Committee	March 2023	On target

3.16.3 Update: Due to resource constraints within the WNC Digital team the timeline was pushed back a month but is still on target to report back to the Local Pension Board in March 2023. At the initial engagement meeting the key objectives, project team roles, communication methods, high level timeline and stakeholder mapping were agreed. Workshops were held throughout August to identify areas of use, struggle, and need / like-to-have for each website for the Fund's stakeholders.

### New Activities following approval of the Business Plan

## 3.17 Review the Investment Strategy and Strategic Asset Allocation

3.17.1 New Activity: The Fund must review its investment strategy and strategic asset allocation (SAA) once the outcomes of the triennial valuation process is known. This will ensure the Fund's investment approach is appropriately aligned with its funding strategy and that the Fund can pay liabilities as they fall due over time.

It is proposed for this exercise is to be undertaken with the full Pensions Committee, supplemented by virtual training where required.

### 3.17.2 Key milestones:

Key Milestones	Dates	On target for completion?
Development of revised Investment Strategy/SAA by officers and advisors	November to December 2022	On target
Investment Strategy Training to Pension Fund Committee	January 2023	On target
Revised Investment Strategy/SAA approved by Pension Fund Committee	March 2023	On target
Implementation of revised Investment Strategy Statement	2023 onwards	On target

3.17.3 Costs: The estimated consultancy costs of the review including training is £12.5k. These costs are included in the agreed governance costs for the year.

3.17.4 Update: This is a future activity



### 3.18 Private Equity Review

3.18.1 New Activity: The Fund has a strategic asset allocation (SAA) for Private Equity of 5% within an overall allocation to Alternative assets of 25%. In order to maintain this the Fund must make regular private equity commitments.

To ensure the continued suitability of the portfolio, a deeper fundamental portfolio review covering exposures, risks and opportunities needs to be undertaken. This will also include modelling of expected commitment levels and deployment rates.

#### 3.18.2 Key milestones:

Key Milestones	Dates	On target for completion?
Private Equity Portfolio Review	December 2022 to January 2023	On target
Investment Sub Committee approve future private equity commitments	February 2023	On target
Implementation of agreed private equity commitments	March 2023 onwards	On target

3.18.3 Costs: The estimated consultancy costs of the review and commitment planning is £15k, with expected minor input into implementation billed at time-cost. These costs are included in the agreed governance costs for the year.

3.18.4 Update: This is a future activity.

### 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.

6.2 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 Not applicable
- 9. Consultation with Key Advisers
  - 9.1 Consultation with the Fund's advisers was not required for this report.
- 10. Alternative Options Considered
  - 10.1 Not applicable
- 11. Background Papers
  - 11.1 [Cambridgeshire Pension Fund Business Plan and Medium-Term Strategy](#)
- 12. Appendices
  - 12.1 Appendix A – Variances against the forecast of investments and administration expenses based on original setting of assumptions.
  - 12.2 Appendix B – Climate Action Plan

## Checklist of Key Approvals

Has this report been cleared by Section 151 Officer? Sarah Heywood – 29 September 2022

Has this report been cleared by Head of Pensions? Mark Whitby – 27 September 2022

Has the Chair of the Pension Committee been consulted? Councillor Whelan – 14 October 2022

Has this report been cleared by Legal Services? Fiona McMillan – 30 September 2022

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

Fund Account	2022/23 Estimate	2022/24 Forecast	Variance	Comments
	£000	£000	£000	
Contributions	135,000	135,000	-	
Transfers in from other pension funds	8,000	8,000	-	
<b>Total income</b>	<b>143,000</b>	<b>143,000</b>	<b>-</b>	
Benefits payable	(121,000)	(121,000)	-	
Payments to and on account of leavers	(10,000)	(10,000)	-	
<b>Total Payments</b>	<b>(131,000)</b>	<b>(131,000)</b>	<b>-</b>	
Net additions/(withdrawals) from dealings with members	<b>12,000</b>	<b>12,000</b>	<b>-</b>	
Management Expenses	(4,555)	(4,601)	(46)	See below
<b>Total income less expenditure</b>	<b>7,445</b>	<b>7,399</b>	<b>(46)</b>	
Investment income	30,000	30,000	-	
Taxes on income	-	-	-	
profit and (losses) on disposal of investments and changes in the market value of investments	169,000	169,000	-	
<b>Net return on investments</b>	<b>199,000</b>	<b>199,999</b>	<b>-</b>	
<b>Net increase/(decrease) in the net assets available for benefits during the year</b>	<b>206,445</b>	<b>206,399</b>	<b>(46)</b>	

<b>Management Expenses</b>	<b>2021-22 Estimate</b>	<b>2021-22 Forecast</b>	<b>Variance</b>	<b>Comments</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	
Total Administration Expenses	(2,674)	(2,720)	(46)	See below
Total Governance Expenses	(900)	(900)	-	
Total Investment Invoiced Expenses	(981)	(981)	-	
<b>Total Management Expenses</b>	<b>(4,555)</b>	<b>(4,601)</b>	<b>(46)</b>	

<b>Administration Expenses Analysis</b>	<b>2021-22 Estimate</b>	<b>2021-22 Forecast</b>	<b>Variance</b>	<b>Comments</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	
Staff Related	(1,647)	(1,692)	(45)	Budget based on estimated 22/23 pay rates, higher than expected pay awards received
Altair administration and payroll system	(398)	(398)	-	
Data assurance	(45)	(46)	(1)	
Communications	(41)	(41)	-	
Other Non-Pay and Income	(16)	(16)	-	
County Council Overhead Recovery	(527)	(527)	-	
<b>Total Administration Expenses</b>	<b>(2,674)</b>	<b>(2,720)</b>	<b>(46)</b>	

## Appendix B – Climate Action Plan

### 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	
ISC review and approve the Pension Fund's initial report complying with the requirements of the Task-Force on Climate-Related Financial Disclosures (TCFD)	
Engage with existing active equity managers around decarbonisation approaches	
Engage with private asset managers to improve carbon data provision for portfolios and increased ESG integration	
Engage with ACCESS on sustainable/impact equity managers (based on Committee preferences following Q2 discussion)	
Consider draft UK Stewardship Report ahead of submission to the Financial Reporting Council (FRC)	
Implement carbon aware passive equity in Q4 2022	

## 2023

ISC consider proposals to include fixed income portfolio including Multi-Asset Credit (MAC) and credit portfolios in climate reporting and target setting	
ISC receive report on availability of data and approach on alternatives assets	
ISC consider proposals for impact investing	
Continuation of the work with active managers to implement carbon reduction measures and increase the sustainability of the portfolios they manage	

## 2024

ISC consider feasibility of including Scope 3 within emissions reduction reporting and targets	
ISC consider proposals to extend climate reporting and target setting to private asset classes	
ISC review progress made to date against targets and reset short-term and long-term targets	
Pension Committee consider appropriateness of adopting “net zero by 2045” or earlier aspiration as a firm long-term target (replacing “2050 or earlier”)	
Continuation of the work with active managers to implement carbon reduction measures and increase the sustainability of the portfolios they manage	

# Cambridgeshire Pension Fund

## Pension Fund Committee

25 October 2022

Report by: Head of Pensions

Subject: Reporting Breaches of the Law to the Pensions Regulator Policy

Purpose of the Report: To present the review of the Reporting Breaches of the Law to the Pensions Regulator Policy to the Pension Fund Committee.

Recommendations: The Pension Fund Committee is asked to approve the Reporting Breaches of the Law to the Pensions Regulator Policy.

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

### 1. Background

- 1.1 In line with the Pensions Regulator's Code of Practice number 14 (Governance and administration of public service pension schemes); the Fund has a policy in place that sets out the mechanism for reporting breaches of the law.
- 1.2 The policy ensures that those with a responsibility to report breaches of the law are able to meet their legal obligations, by analysing situations effectively in order to make an informed decision on whether a breach has been made.
- 1.3 The policy was first approved by the Pension Fund Committee in October 2015 and was subsequently reviewed and approved in October 2018.
- 1.4 The Pension Regulator's new code of practice was due to come into force in November 2021 but has been postponed until Autumn 2022 so review of this policy was postponed. However, it is felt prudent to review now based on the current code and other necessary changes that are detailed in section 4.1 of this report. A further review will be carried out within 6 months of the new code coming into effect.

### 2. Executive summary

- 2.1 The report contains the 2022 review of the Reporting Breaches of the Law to the Pensions Regulator Policy.
- 2.2 The draft revised Policy is located in appendix 1 and the comparison of changes document is in appendix 2.

### 3. The Pensions Regulator Code of Practice

- 3.1 The Code of Practice identifies those individuals responsible for reporting breaches of the law and the associated legal requirements.



- 3.2 The policy provides the process to report a breach to the Regulator and details surrounding timescales and urgency of cases.
- 3.3 The policy also identifies the need to record breaches that are not of material significance to the Regulator in order that processes can be improved to avoid repeated occurrences.
- 3.4 Examples of breaches of material significance and non-material significance are documented in the appendix of the policy, the purpose is to put into context the policy and when it may need to be enforced. Individuals will need to apply the principles of the policy when deciding whether to report a breach.

#### 4. Changes to the Policy

- 4.1 The below table documents the proposed changes to the policy:

Number/Section	Proposed change
Whole Policy	<p>General tidying up of –</p> <ul style="list-style-type: none"> <li>• Job titles</li> <li>• Branding</li> <li>• Chairman/woman references</li> <li>• Fund references</li> <li>• Removal of references to LGSS</li> <li>• Contact details updated</li> <li>• Full details in replace of full report when the Committee/Board is to be updated of a breach. A full report may not always be necessary and an update via the Governance and Compliance Report maybe more appropriate.</li> </ul>
4.	<p><u>Effective date</u> A table has been incorporated to clearly show the previous reviews.</p>
6.	<p><u>Scope</u> Service providers added to the list that the policy applies to.</p>
9.4/9.5/9.7	<p><u>Material significance</u> Clarification on the traffic light framework and decision tree. Administering Authority (AA) reference changed to Head of Pensions as a single point for decision as AA is too vague and could result in no responsibility being taken.</p>
10.4.	<p><u>Guidance on reporting a breach to the Pensions Regulator</u> Preferred methods of reporting for the Cambridgeshire Pension Fund added</p>
12.	<p><u>The Pensions Regulator's response to a report of a breach of the law</u> Additional section added to demonstrate potential measures that could be taken by the Regulator.</p>
13.	<p><u>Failure to report</u> Additional section added to highlight factors the Regulator would consider if a report has not been made or not been made in a timely manner as required.</p>
14.4.	<p><u>Whistleblowing protection and confidentiality</u> Statement added on Regulator expectations for reporters.</p>

## 5. Pension Fund Board Review

- 5.1 The draft revised policy was presented to the Board on 1 July 2022 for consideration with the following suggestions made after discussion:

Suggestion	Comment
That the policy was consistent in referring to 'the reporter' throughout opposed to 'the reporter' and 'a reporter'.	Policy amended to only display 'the reporter'.
To review the decision tree to ensure it is as clear as possible to the reader.	The decision tree is a tool published by the Pensions Regulator and therefore should remain the same to be consistent with TPR expectations. A footnote has been added to the policy to confirm.
To be clearer on 'if appropriate' in section 10.6 of the policy.	Reporters should mark urgent reports as such and draw attention to matters they consider particularly serious. They can precede a written report with a telephone call, if appropriate. Has been changed to: Reporters should mark urgent reports as such and draw attention to matters they consider particularly serious. They can precede a written report with a telephone call, if the matter requires an urgent acknowledgement to ensure it will be dealt with promptly.

## 6. 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 continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate

## 7. Risk Management

- 7.1 The Pension Fund Committee and Pension Fund Board have an obligation to ensure that breaches of the law that are considered to be of a material significance to the Pensions Regulator are reported accordingly.

- 7.2 The risks associated with Pension Fund Committee and Pension Fund Board members not having the required level of knowledge and understanding surrounding reporting breaches of the law to the Pensions Regulator have 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
Risk of fraud and error	Green
Failure to administer the scheme in line with regulations and guidance	Green
Failure to understand and monitor risk compliance	Green
Failure to provide relevant information to the Pension Committee/Pension Board to enable informed decision making	Green

- 7.3 Please see the [Cambridgeshire Pension Fund Risk Register](#) executive summary.

## 8. Communication Implications

Direct Communications: All individuals who are involved in the administration of the Fund will be advised of their obligations to report breaches of the law and the associated procedure as detailed in the policy.

Website: The policy will be published on the Pensions Service website.

## 9. Finance & Resources Implications

- 9.1 Failure to adhere to the policy and to implement effective controls to prevent breaches of the law may result in fines for those charged with responsibility of the Fund.

## 10. Legal Implications

- 10.1 Failure to adhere to the policy and to implement effective controls to prevent breaches of the law may result in fines for those charged with responsibility of the Fund.

## 11. Consultation with Key Advisers

- 11.1 Consultation with the Fund's advisers was not required for this report.

## 12. Alternative Options Considered

- 12.1 Not applicable

## 13. Background Papers

- 13.1 [Current Reporting Breaches of the Law to the Pensions Regulator Policy](#)

## 14. Appendices

14.1 Appendix 1 Proposed Reporting Breaches of the Law to the Pensions Regulator Policy 2022

14.2 Appendix 2 Comparison between the 2018 and 2022 Policy

### Checklist of Key Approvals

Has this report been cleared by Section 151 Officer? Sarah Heywood – 29/9/2022

Has this report been cleared by Head of Pensions? Mark Whitby – 18/8/2022

Has the Chair of the Pension Committee been consulted? Councillor Whelan – 14/10/2022

Has this report been cleared by Legal Services? Fiona McMillan – 30/9/2022



# Reporting Breaches of the Law to the Pensions Regulator Policy 2022

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## **1. Introduction**

- 1.1 This is the Reporting Breaches of the Law to the Pension Regulator Policy of Cambridgeshire Pension Fund managed by Cambridgeshire County Council (the Administering Authority).
- 1.2 In April 2015 the Pensions Regulator (the Regulator) published its Code of Practice no 14 (the Code) Governance and administration of public service pension schemes. The code refers both to statutory duty as well as advisory and practitioners have a duty to follow the code in reporting breaches of the law.
- 1.3 There are many and various laws relating to the Local Government Pension Scheme, with many and various people having a statutory duty to report material breaches of the law to the Regulator. To assist, the Code states that a procedure should be established to ensure that those with a responsibility to make reports are able to meet their legal obligations. This document is that procedure, which relates to all of the Fund's areas of operation.

## **2. Policy Objectives**

- 2.1 The Funds' objectives related to this policy are as follows:
- 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 appropriate skills and knowledge to ensure those attributes are maintained in a changing environment.
  - To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.

## **3. Purpose of the Policy**

- 3.1 The purpose of the policy is to –
- Ensure individuals have the correct understanding and necessary skills to be able to identify and report breaches as they arise
  - Ensure that stakeholders of the Fund are given appropriate information in order to understand the consequences of a breach and
  - Ensure adequate procedures are in place to fully comply with the Code of Practice.

## **4. Effective date**

- 4.1 This policy was first approved by the Pension Fund Committee on 22 October 2015 and has been subject to the following reviews:

Date of review	Effective Date	Type of review
19 October 2018	20 October 2018	Full review

## 5. Review

- 5.1 This policy on Reporting Breaches of the Law to the Pensions Regulator is expected to be appropriate for the long-term but it will be reviewed every 2 years to ensure it remains accurate and relevant.

## 6. Scope

- 6.1 The policy applies to:

- officers of the Fund
- members of the Pension Committee
- members of the Pension Board
- employers of the Fund
- service providers
- relevant stakeholders and
- professional advisors.

## 7. Legal Requirements

- 7.1 Individuals (as identified in paragraph 6) are required to report breaches of the law to the Regulator 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 and
- the failure to comply is likely to be of material significance to the Regulator in the exercise of any of its functions.

## 8. Reasonable Cause

- 8.1 Having 'reasonable cause' to believe that a breach has occurred means more than merely having a suspicion that cannot be substantiated.
- 8.2 Checks need to be made in order to ensure a breach has occurred and that the report is not made on suspicion alone. If an individual does not feel they can be 100% certain of a breach it would be prudent to discuss the case with a senior colleague or advisor to the Fund, however if the suspicion is around theft, fraud or other serious offences where discussions may alert the those implicated or impede the actions of the police or a regulatory authority, the reporter should go to the Regulator directly and at the earliest opportunity.
- 8.3 In establishing whether there is reasonable cause to believe that a breach has occurred, it is not necessary for the reporter to gather all the evidence which the Regulator may require

before taking legal action particularly if it is a significantly material breach. A delay in reporting may exacerbate or increase the risk of the breach.

- 8.4 If the reporter is unclear about the relevant legal provision, they should clarify their understanding of the law to the extent necessary to form a view.

## 9. Material Significance

- 9.1 In deciding whether a breach is likely to be of material significance to the Regulator, it would be advisable for the reporter to consider the:

cause of the breach - e.g. dishonesty, poor governance, incomplete or inaccurate information, acting or failing to act in contravention of the law

effect of the breach - does the nature of the breach lead to an increased likelihood of further material breaches. Is it likely to cause, for example; ineffective internal controls, lack of knowledge and understanding, inaccurate records, potential for further breaches occurring

reaction to the breach - e.g. taking prompt and effective action to resolve a breach, notifying scheme members where appropriate and

the wider implications of the breach - e.g. where a breach has occurred due to lack of knowledge or poor systems and processes making it more likely that other breaches will emerge in the future.

- 9.2 When deciding whether to report, those responsible should consider these points together. Reporters should take into account expert or professional advice, where appropriate, when deciding whether the breach is likely to be of material significance to the Regulator.
- 9.3 When deciding whether a breach is of material significance, those responsible should consider other reported and unreported breaches of which they are aware. However, historical information should be considered with care, particularly if changes have been made to address previously identified problems.
- 9.4 The decision tree provides a “traffic light” system of categorising an identified breach and has been provided by the Regulator in the form of additional guidance:

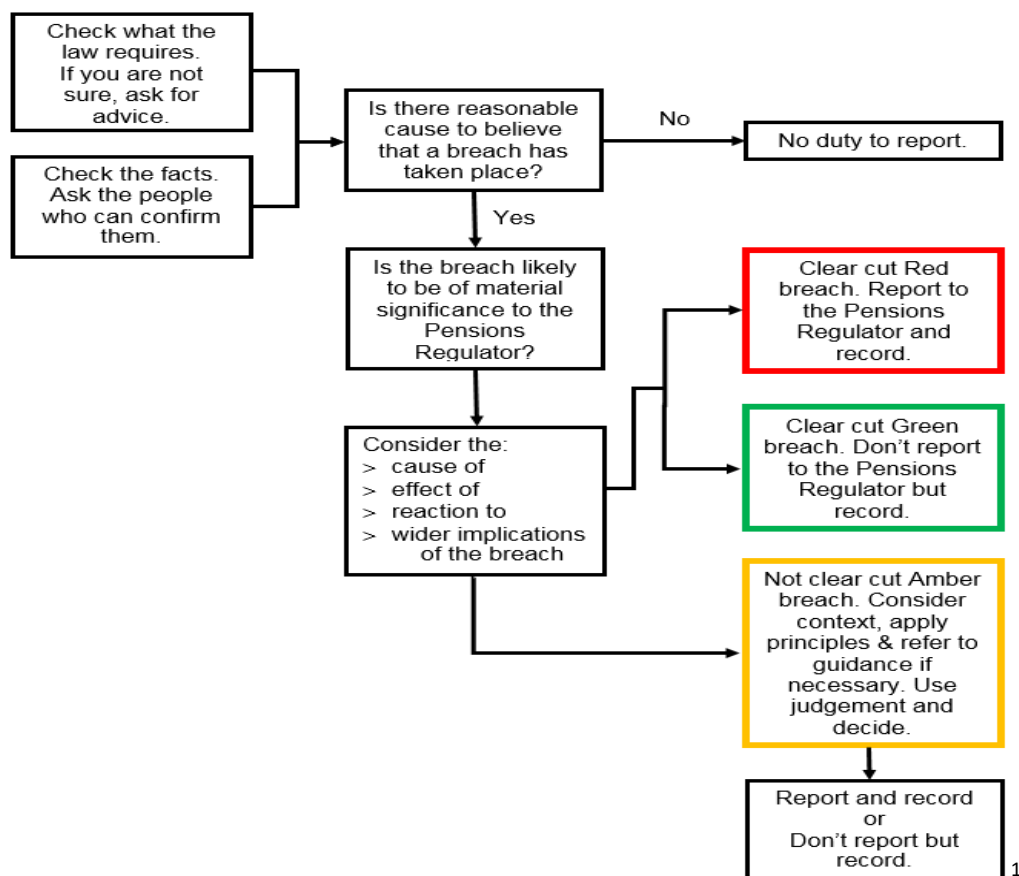
**Green** – not caused by dishonesty, poor governance or a deliberate contravention of the law and its effect is not significant and a plan is in place to rectify the situation. In such cases the breach may not be reported to the Regulator but should be recorded in the Pension Services breaches log.

**Amber** – does not fall easily into either green or red and requires further investigation in order to determine what action to take. Consideration of other recorded breaches may also be relevant in determining the most appropriate course of action. The Head of Pensions will need to decide whether to informally alert the Regulator of the breach or likely breach, formally reporting the breach if it is subsequently decided to categorise the breach as red.

**Red** - caused by dishonesty, poor governance or a deliberate contravention of the law and having a significant impact, even where a plan is in place to rectify the situation. The Head of Pensions must ensure all such breaches are reported to the Regulator in all cases.

It should be noted that failure to report a significant breach or likely breach is likely, in itself, to be a significant breach.

- 9.5 Cambridgeshire Pension Fund will use the Pension Regulators traffic light framework as a means of identifying whether any breach is to be considered as materially significant and a reportable event.
- 9.6 Once a breach or likely breach has been identified, regardless of whether it needs to be reported to the Regulator, the Governance and Regulations Manager, in consultation with the Head of Pensions must review the circumstances of the breach in order to understand why it occurred, the consequences of the breach and agree the corrective measures required to prevent re-occurrence, including an action plan where necessary.
- 9.7 Significant breaches must also be reported to the Section 151 officer and Chair of the Pension Fund Committee and Pension Fund Board, or in the absence of the Chair, the respective Vice Chair, and full details are to be submitted at the next available meeting. A decision tree should be used as a tool for determining whether a breach is significant as below:



<sup>1</sup> Source: The Pensions Regulator (TPR) website

- 9.8 Reporters need to take care to consider the effects of the breach, including any other breaches occurring as a result of the initial breach and the effects of those resulting breaches.
- 9.9 Where prompt and effective action is taken to investigate and correct the breach and its causes and, where appropriate, notify any affected members, the Pensions Regulator will not normally consider this to be materially significant.
- 9.10 A breach is likely to be of concern and material significance to the Pensions Regulator where a breach has been identified and those involved:
- do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence;
  - are not pursuing corrective action to a proper conclusion; and
  - fail to notify affected scheme members where it would have been appropriate to do so.

## **10. Guidance on reporting a breach to the Pensions Regulator**

- 10.1 Before submitting a report, responsible officers should obtain clarification of the law around the suspected breach via an appropriate method. A judgement would need to be made on whether the Regulator would regard the breach as being material.
- 10.2 Some matters could be urgent, if for example a fraud is imminent, whilst others will be less so. Non-urgent but material breaches should be reported to the Regulator within 30 working days of them being confirmed, and in the same time breaches that are not material should be recorded.
- 10.3 Some breaches could be so serious that they must always be reported, for example a theft of funds by anyone involved with the administration or management of the Fund. It is difficult to be definitive about what constitutes a breach that must always be reported, as a rule of thumb if a breach may lead to criminal prosecution or a serious loss in public confidence it is deemed that this type of breach that must always be reported.
- 10.4 The preferred methods of reporting for the Cambridgeshire Pension Fund are via the Pensions Regulator exchange portal or via email, however, reports can also be submitted by post or by fax.
- 10.5 Any report that is made (which must be in writing and made as soon as reasonably practicable) should be dated and include as a minimum:
- full name of the Fund
  - description of the breach or breaches
  - any relevant dates
  - name of the employer or scheme manager (where known)
  - name, position and contact details of the reporter and
  - role of the reporter in relation to the Fund.

Additional information that would assist the Pensions Regulator would include, the reason the breach is thought to be of material significance; the address of the Fund; the pension scheme's registry number; and whether the concern has been reported before.

- 10.6 Reporters should mark urgent reports as such and draw attention to matters they consider particularly serious. They can precede a written report with a telephone call, if the matter requires an urgent acknowledgement to ensure it will be dealt with promptly if appropriate.
- 10.7 Reporters should ensure they receive an acknowledgement for any report they send to the Regulator. Only when they receive an acknowledgement can the reporter be confident that the Regulator has received their report.
- 10.8 The Regulator will acknowledge all reports within five working days of receipt; however, it will not generally keep the reporter informed of the steps taken in response to a report of a breach as there are restrictions on the information it can disclose. The reporter should provide further information or reports of further breaches if this may help the Regulator to exercise its functions. The Regulator may make contact to request further information.
- 10.9 Breaches should be reported as soon as reasonably practicable, which will depend on the circumstances. In particular, the time taken should reflect the seriousness of the suspected breach.
- 10.10 In cases of immediate risk to the Fund, for instance, where there is any indication of dishonesty, the Regulator does not expect reporters to seek an explanation or to assess the effectiveness of proposed remedies. They should only make such immediate checks as are necessary. The more serious the potential breach and its consequences, the more urgently reporters should make these necessary checks. In cases of potential dishonesty, the reporter should avoid, where possible, checks which might alert those implicated. In serious cases, reporters should use the quickest means possible to alert the Regulator to the breach.

## 11. Process for reporting and recording material and non-material breaches within Cambridgeshire Pension Fund

- 11.1 The following table details the process for reporting material and non-material breaches –

Type of Breach	Timescale for reporting	Internal actions	Further actions
<b>Urgent and Material</b>	Responsible officer informs Head of Pensions and Governance team, the breach is reported immediately to the Pensions Regulator.	Governance team to keep record of breach and investigate options to prevent further occurrence. The Governance team will also liaise with the Pension Regulator where applicable to	These breaches must also be reported to the Section 151 Officer, Chairs of both the Pension Fund Committee and Pension Fund Board, with full details to be submitted

		come to a satisfactory resolution.	at the next available meeting for members.
<b>Non urgent and material</b>	Responsible officer informs Head of Pensions and Governance team, the breach is reported within 30 days to the Pensions Regulator.	Governance team to keep record of breach and investigate options to prevent further occurrence.	Report non urgent and material breach at next Pension Fund Committee/Pension Fund Board meeting.
<b>Immaterial</b>	Responsible officer informs Head of Pensions and governance team within 30 days.	Governance team to keep record of breach and investigate options to prevent further occurrence.	Report immaterial breach at next Pension Fund Committee/Pension Fund Board meeting.

## 12. The Pensions Regulator's response to a report of a breach of the law

The Regulator has discretion over whether to take action and if so what action to take. The decision will depend upon the breach and the circumstances surrounding it. There are a number of measures the Regulator can take, including the following –

- assisting or instructing the Fund to achieve compliance
- providing education or guidance
- imposing fines where appropriate

## 13. Failure to report

13.1 Failure to comply with the obligation imposed by the requirement to report breaches of the law without 'reasonable excuse' is a civil offence. In order to establish whether the reporter has a reasonable excuse for not reporting as required or for reporting later than expected, the Regulator will look at the following factors –

- the legislation, case law, the code of practice and associated guidance
- the role of the reporter in relation to the scheme
- the training provided to the individual, and the level of knowledge it would be reasonable to expect the individual to have
- the procedures put in place to identify and evaluate breaches and whether the procedures have been adhered to
- the seriousness of the breach
- any reasons for the delay in reporting

13.2 If a civil penalty is being considered, directly affected parties will receive a warning notice identifying the alleged breach and specifying the relevant function. The Regulator in addition may find it appropriate to make a complaint to the Administering Authority.

## **14. Whistleblowing protection and confidentiality**

- 14.1 The Pensions Act 2004 makes clear that the statutory duty to report overrides any other duties the reporter may have such as confidentiality and that any such duty is not breached by making a report. The Regulator understands the potential impact of a report on relationships, for example, between an employee and their employer.
- 14.2 The statutory duty to report does not, however, override legal privilege. This means that oral and written communications between a professional legal adviser and their client, or a person representing that client, while obtaining legal advice, do not have to be disclosed. Where appropriate a legal adviser will be able to provide further information on this.
- 14.3 The Regulator will do its best to protect the reporter's identity (if desired) and will not disclose the information except where lawfully required to do so. It will take all reasonable steps to maintain confidentiality, but it cannot give any categorical assurances as the circumstances may mean that disclosure of the reporter's identity becomes unavoidable in law. This includes circumstances where the regulator is ordered by a court to disclose it.
- 14.4 The Employment Rights Act 1996 (ERA) provides protection for employees making a whistleblowing disclosure to the regulator. Consequently, where individuals employed by firms or another organisation having a statutory duty to report disagree with a decision not to report to the regulator, they may have protection under the ERA if they make an individual report in good faith. The Regulator expects such individual reports to be rare and confined to the most serious cases.

In all cases, the Regulator expects reporters to act conscientiously and honestly, and to take account of expert or professional advice where appropriate.

## **15. Training**

- 15.1 The Head of Pensions will ensure that all relevant Officers, Pension Fund Committee members and Pension Fund Board members receive relevant signposting to this policy and provide appropriate training as required.

## **16. Contact details**

16.1 The Pensions Regulator  
Napier House  
Trafalgar Place  
Brighton  
BN1 4DW  
0345 6000707  
[customersupport@tpr.gov.uk](mailto:customersupport@tpr.gov.uk)

Mark Whitby  
Head of Pensions  
One Angel Square  
Angel Street  
NN1 1ED  
[mark.whitby@westnorthants.gov.uk](mailto:mark.whitby@westnorthants.gov.uk)



## 17. Further guidance

Section 70(1) and 70(2) of the Pensions Act 2004:

[www.legislation.gov.uk/ukpga/2004/35/contents](http://www.legislation.gov.uk/ukpga/2004/35/contents)

Employment Rights Act 1996:

[www.legislation.gov.uk/ukpga/1996/18/contents](http://www.legislation.gov.uk/ukpga/1996/18/contents)

Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (Disclosure Regulations):

[www.legislation.gov.uk/uksi/2013/2734/contents/made](http://www.legislation.gov.uk/uksi/2013/2734/contents/made)

Public Service Pension Schemes Act 2013:

[www.legislation.gov.uk/ukpga/2013/25/contents](http://www.legislation.gov.uk/ukpga/2013/25/contents)

Local Government Pension Scheme Regulations (various):

<http://www.lgpsregs.org/timelineregs/Default.html> (pre 2014 schemes)

<http://www.lgpsregs.org/index.php/regs-legislation> (2014 scheme)

The Pensions Regulator's Code of Practice:

<http://www.thepensionsregulator.gov.uk/doc-library/codes.aspx>

## Appendix 1 - Examples of breaches, but not limited to -

### Example 1

An employer is late in paying over employee and employer contributions, and so late that it is in breach of the statutory period for making such payments. It is contacted by officers from the administering authority, it immediately pays the moneys that are overdue, and it improves its procedures so that in future contributions are paid over on time. In this instance there has been a breach, but members have not been adversely affected and the employer has put its house in order regarding future payments. The breach is therefore not material to the Regulator and need not be reported.

### Example 2

A large employer is late in submitting its statutory year-end return of pay and contributions in respect of each of its active members and as such it is in breach. Despite repeated reminders it still does not supply its year-end return. Because the administering authority does not have the year-end data it is unable to supply, by 31 August, annual benefit statements to the employer's members. In this instance there has been a breach which *is* relevant to the Regulator, in part because of the employer's failures, in part because of the enforced breach by the administering authority, and also because members are being denied their annual benefits statements.

### Example 3

A member of the Pension Fund Committee owns a property; a report is made about a possible investment by the Fund, in the same area in which the member's property is situated. The member supports the investment but does not declare an interest and is later found to have materially benefitted when the Fund's investment proceeds. In this case a material breach has arisen, not because of the conflict of interest, but rather because the conflict was not reported.

### Example 4

A pension overpayment is discovered and thus the administering authority has failed to pay the right amounts to the right person at the right time. A breach has therefore occurred. The overpayment is however for a modest amount and the pensioner could not have known that (s) he was being overpaid. The overpayment is therefore waived. In this case there is no need to report the breach as it is not material.

### Example 5

Several overpayments are discovered and thus the administering authority has failed to pay the right amounts to the individuals concerned due to a process failure. The administering authority has failed to put a process in place to avoid reoccurrence and the combined amount is significant. In this instance there has been a breach which *is* relevant to the Regulator, in part because of the authority's failure to implement a new/improved process and in part because of the enforced breach by the administering authority.

## Appendix 2 - Examples of Scheme Disclosures

Any deadline not achieved under the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 is classed as a breach of the law, it is the responsibility of Cambridgeshire Pension Fund to assess whether these are likely to be of material significance to the Pensions Regulator.

The table below sets out some of the key disclosure requirements that schemes must satisfy so that they do not breach the disclosure regulations –

Information	Requirement
Provision of basic scheme information to a prospective member	Within one month of the scheme receiving their job holder information. If no such information has been received, within two months of them joining the scheme.
Provision of scheme's annual report	Within two months of the request being received.
Benefit statements for benefits other than Defined Contribution	Within two months of the request being received.
Provision of summary funding statements	Within a reasonable period (normally three months) after the last date on which the scheme is legally required to obtain an actuarial valuation.
Provision of information on death of a member	Within two months of the scheme being notified of the death.
Rights and options to be provided to early leavers	Within 2 months after being notified by the member or their employer that active membership has ceased.

### Appendix 3 - Other matters that are likely to be of material significance to the Pensions Regulator

The below table demonstrates matters that the Pension Regulator is likely to deem of material significance in regard to Cambridgeshire Pension Fund meeting its statutory objectives –

Pension Fund Committee and Pension Board members not having the appropriate degree of knowledge and understanding, which may result in the Committee/Board not fulfilling its role, the Fund not being properly governed and administered.
Pension Fund Committee and Pension Board members having a conflict of interest, which may result in them being prejudiced in the way that they carry out their role.
Adequate internal controls not being established and operated, which may lead to the Fund not being run in accordance with the Scheme's Regulations and other legal requirements, risks not being properly identified and managed and/or the right money not being paid to or by the Fund at the right time.
Accurate information about benefits and Scheme administration not being provided to Scheme members and others, which may result in members not being able to effectively plan or make decisions about their retirement.
Appropriate records not being maintained, which may result in member benefits being calculated incorrectly and/or not being paid to the right person at the right time.
Anyone involved with the administration or management of the Fund misappropriating any of its assets, or being likely to do so, which may result in assets not being safeguarded.
Any other breach which may result in the Fund being poorly governed, managed or administered.

# Reporting Breaches of the Law to the Pensions Regulator Policy 2022

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West  
Northamptonshire  
Council



Cambridgeshire  
County Council

Administered in partnership

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## 1. Introduction

1.1 This is the Reporting Breaches of the Law to the Pension Regulator Policy of Cambridgeshire Pension Fund managed by Cambridgeshire County Council (the Administering Authority).

1.2 In April 2015 the Pensions Regulator (the Regulator) published its Code of Practice no 14 (the Code) Governance and administration of public service pension schemes. The code refers both to statutory duty as well as advisory and practitioners have a duty to follow the code in reporting breaches of the law.

1.3 There are many and various laws relating to the Local Government Pension Scheme, with many and various people having a statutory duty to report material breaches of the law to the Regulator. To assist, the Code states that a procedure should be established to ensure that those with a responsibility to make reports are able to meet their legal obligations. This document is that procedure, which relates to all of the Fund's areas of operation.

## 2. Policy Objectives

2.1 The Funds' objectives related to this policy are as follows:

- 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 appropriate skills and knowledge to ensure those attributes are maintained in a changing environment.
- To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.

## 3. Purpose of the Policy

3.1 The purpose of the policy is to –

- Ensure individuals have the correct understanding and necessary skills to be able to identify and report breaches as they arise.
- Ensure that stakeholders of the Fund are given appropriate information in order to understand the consequences of a breach, and
- Ensure adequate procedures are in place to fully comply with the Code of Practice.

## 4. Effective date

4.1 This policy was first approved by the Pension Fund Committee on 22 October 2015 and has been subject to the following reviews:

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Ensure the Fund and its stakeholders have the appropriate skills and receive training to ensure those skills are maintained in a changing environment.¶

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Date of review	Effective Date	Type of review
19 October 2018	20 October 2018	Full review

## 5. Review

5.1 This policy on Reporting Breaches of the Law to the Pensions Regulator is expected to be appropriate for the long-term but it will be reviewed every 2 years to ensure it remains accurate and relevant.

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## 6. Scope

6.1 The policy applies to:

- officers of the Fund
- members of the Pension Committee
- members of the Pension Board
- employers of the Fund
- service providers
- relevant stakeholders and
- professional advisors.

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## 7. Legal Requirements

7.1 Individuals (as identified in paragraph 6) are required to report breaches of the law to the Regulator 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 and
- the failure to comply is likely to be of material significance to the Regulator in the exercise of any of its functions.

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## 8. Reasonable Cause

8.1 Having 'reasonable cause' to believe that a breach has occurred means more than merely having a suspicion that cannot be substantiated.

8.2 Checks need to be made in order to ensure a breach has occurred and that the report is not made on suspicion alone. If an individual does not feel they can be 100% certain of a breach it would be prudent to discuss the case with a senior colleague or advisor to the Fund, however if the suspicion is around theft, fraud or other serious offences where discussions may alert the those implicated or impede the actions of the police or a regulatory authority, the reporter should go to the Regulator directly and at the earliest opportunity.

8.3 In establishing whether there is reasonable cause to believe that a breach has occurred, it is not necessary for the reporter to gather all the evidence which the Regulator may require

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before taking legal action particularly if it is a significantly material breach. A delay in reporting may exacerbate or increase the risk of the breach.

- 8.4 If the reporter is unclear about the relevant legal provision, they should clarify their understanding of the law to the extent necessary to form a view.

## 9. Material Significance

- 9.1 In deciding whether a breach is likely to be of material significance to the Regulator, it would be advisable for the reporter to consider the:

cause of the breach - e.g. dishonesty, poor governance, incomplete or inaccurate information, acting or failing to act in contravention of the law.

effect of the breach - does the nature of the breach lead to an increased likelihood of further material breaches. Is it likely to cause, for example; ineffective internal controls, lack of knowledge and understanding, inaccurate records, potential for further breaches occurring.

reaction to the breach - e.g. taking prompt and effective action to resolve a breach, notifying scheme members where appropriate and.

the wider implications of the breach - e.g. where a breach has occurred due to lack of knowledge or poor systems and processes making it more likely that other breaches will emerge in the future.

- 9.2 When deciding whether to report, those responsible should consider these points together. Reporters should take into account expert or professional advice, where appropriate, when deciding whether the breach is likely to be of material significance to the Regulator.

- 9.3 When deciding whether a breach is of material significance, those responsible should consider other reported and unreported breaches of which they are aware. However, historical information should be considered with care, particularly if changes have been made to address previously identified problems.

- 9.4 The decision tree provides a “traffic light” system of categorising an identified breach and has been provided by the Regulator in the form of additional guidance:

**Green** – not caused by dishonesty, poor governance or a deliberate contravention of the law and its effect is not significant and a plan is in place to rectify the situation. In such cases the breach may not be reported to the Regulator but should be recorded in the Pension Services breaches log.

**Amber** – does not fall easily into either green or red and requires further investigation in order to determine what action to take. Consideration of other recorded breaches may also be relevant in determining the most appropriate course of action. The Head of Pensions will need to decide whether to informally alert the Regulator of the breach or likely breach, formally reporting the breach if it is subsequently decided to categorise the breach as red.

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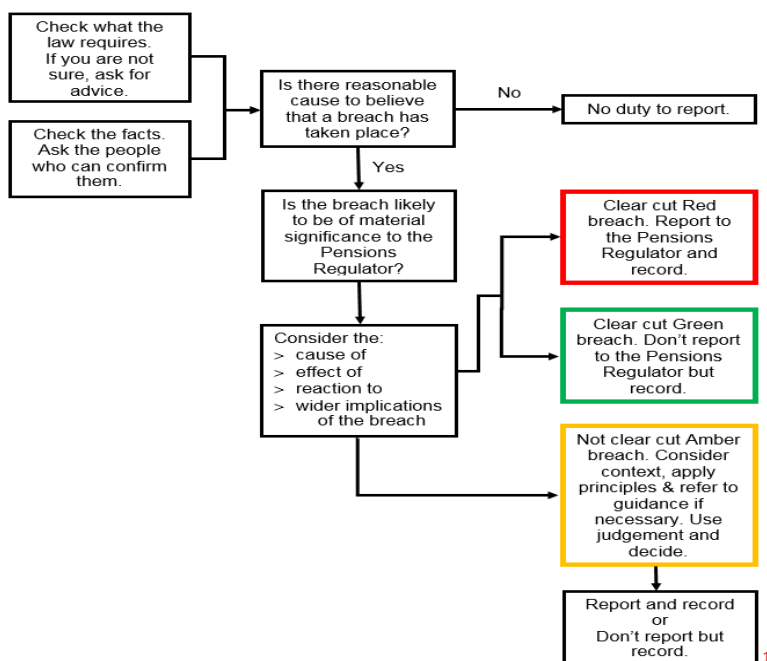
**Red** - caused by dishonesty, poor governance or a deliberate contravention of the law and having a significant impact, even where a plan is in place to rectify the situation. The **Head of Pensions** must **ensure** all such breaches **are reported** to the Regulator in all cases.

It should be noted that failure to report a significant breach or likely breach is likely, in itself, to be a significant breach.

9.5 Cambridgeshire Pension Fund will use the Pension Regulator's **traffic light framework** as a means of identifying whether any breach is to be considered as materially significant and **a reportable event**.

9.6 Once a breach or likely breach has been identified, regardless of whether it needs to be reported to the Regulator, the Governance and Regulations Manager, in consultation with the Head of Pensions must review the circumstances of the breach in order to understand why it occurred, the consequences of the breach and agree the corrective measures required to prevent re-occurrence, including an action plan where necessary.

9.7 Significant breaches must also be reported to the Section 151 officer **and** Chair of the Pension **Fund** Committee and **Pension Fund** Board, or in the absence of the **Chair, the respective** Vice Chair, **and full details are** to be submitted at the next available meeting. **A decision tree should be used as a tool for determining whether a breach is significant as below:**



<sup>1</sup> Source: The Pensions Regulator (TPR) website

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- 9.8 Reporters need to take care to consider the effects of the breach, including any other breaches occurring as a result of the initial breach and the effects of those resulting breaches.
- 9.9 Where prompt and effective action is taken to investigate and correct the breach and its causes and, where appropriate, notify any affected members, the Pensions Regulator will not normally consider this to be materially significant.
- 9.10 A breach is likely to be of concern and material significance to the Pensions Regulator where a breach has been identified and those involved:

- do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence;
- are not pursuing corrective action to a proper conclusion; and
- fail to notify affected scheme members where it would have been appropriate to do so.

#### 10. Guidance on reporting a breach to the Pensions Regulator

- 10.1 Before submitting a report, responsible officers should obtain clarification of the law around the suspected breach via an appropriate method. A judgement would need to be made on whether the Regulator would regard the breach as being material.
- 10.2 Some matters could be urgent, if for example a fraud is imminent, whilst others will be less so. Non-urgent but material breaches should be reported to the Regulator within 30 working days of them being confirmed, and in the same time breaches that are not material should be recorded.
- 10.3 Some breaches could be so serious that they must always be reported, for example a theft of funds by anyone involved with the administration or management of the Fund. It is difficult to be definitive about what constitutes a breach that must always be reported, as a rule of thumb if a breach may lead to criminal prosecution or a serious loss in public confidence it is deemed that this type of breach that must always be reported.

10.4 The preferred methods of reporting for the Cambridgeshire Pension Fund are via the Pensions Regulator exchange portal or via email, however, reports can also be submitted by post or by fax.

- 10.5 Any report that is made (which must be in writing and made as soon as reasonably practicable) should be dated and include as a minimum:

- full name of the Fund
- description of the breach or breaches
- any relevant dates
- name of the employer or scheme manager (where known)
- name, position and contact details of the reporter and
- role of the reporter in relation to the Fund.

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Additional information that would assist the Pensions Regulator would include, the reason the breach is thought to be of material significance; the address of the Fund; the pension scheme's registry number; and whether the concern has been reported before.

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10.6 Reporters should mark urgent reports as such and draw attention to matters they consider particularly serious. They can precede a written report with a telephone call, if the matter requires an urgent acknowledgement to ensure it will be dealt with promptly if appropriate.

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10.7 Reporters should ensure they receive an acknowledgement for any report they send to the Regulator. Only when they receive an acknowledgement can the reporter be confident that the Regulator has received their report.

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10.8 The Regulator will acknowledge all reports within five working days of receipt; however, it will not generally keep the reporter informed of the steps taken in response to a report of a breach as there are restrictions on the information it can disclose. The reporter should provide further information or reports of further breaches if this may help the Regulator to exercise its functions. The Regulator may make contact to request further information.

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10.9 Breaches should be reported as soon as reasonably practicable, which will depend on the circumstances. In particular, the time taken should reflect the seriousness of the suspected breach.

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10.10 In cases of immediate risk to the Fund, for instance, where there is any indication of dishonesty, the Regulator does not expect reporters to seek an explanation or to assess the effectiveness of proposed remedies. They should only make such immediate checks as are necessary. The more serious the potential breach and its consequences, the more urgently reporters should make these necessary checks. In cases of potential dishonesty, the reporter should avoid, where possible, checks which might alert those implicated. In serious cases, reporters should use the quickest means possible to alert the Regulator to the breach.

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## 11. Process for reporting and recording material and non-material breaches within Cambridgeshire Pension Fund.

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11.1 The following table details the process for reporting material and non-material breaches –

Type of Breach	Timescale for reporting	Internal actions	Further actions
Urgent and Material	Responsible officer informs Head of Pensions and Governance team, the breach is reported immediately to the Pensions Regulator.	Governance team to keep record of breach and investigate options to prevent further occurrence. The Governance team will also liaise with the Pension Regulator where applicable to	These breaches must also be reported to the Section 151 Officer, Chairs of both the Pension Fund Committee and Pension Fund Board, with full details to be submitted

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		come to a satisfactory resolution.	at the next available meeting for members.
<b>Non urgent and material</b>	Responsible officer informs Head of Pensions and Governance team, the breach is reported within 30 days to the Pensions Regulator.	Governance team to keep record of breach and investigate options to prevent further occurrence.	Report non urgent and material breach at next Pension Fund Committee/Pension Fund Board meeting.
<b>Immaterial</b>	Responsible officer informs Head of Pensions and governance team within 30 days.	Governance team to keep record of breach and investigate options to prevent further occurrence.	Report immaterial breach at next Pension Fund Committee/Pension Fund Board meeting.

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## 12. The Pensions Regulator's response to a report of a breach of the law

The Regulator has discretion over whether to take action and if so what action to take. The decision will depend upon the breach and the circumstances surrounding it. There are a number of measures the Regulator can take, including the following –

- assisting or instructing the Fund to achieve compliance
- providing education or guidance
- imposing fines where appropriate

## 13. Failure to report

13.1 Failure to comply with the obligation imposed by the requirement to report breaches of the law without 'reasonable excuse' is a civil offence. In order to establish whether the reporter has a reasonable excuse for not reporting as required or for reporting later than expected, the Regulator will look at the following factors –

- the legislation, case law, the code of practice and associated guidance
- the role of the reporter in relation to the scheme
- the training provided to the individual, and the level of knowledge it would be reasonable to expect the individual to have
- the procedures put in place to identify and evaluate breaches and whether the procedures have been adhered to
- the seriousness of the breach
- any reasons for the delay in reporting

13.2 If a civil penalty is being considered, directly affected parties will receive a warning notice identifying the alleged breach and specifying the relevant function. The Regulator in addition may find it appropriate to make a complaint to the Administering Authority.

#### 14. Whistleblowing protection and confidentiality

14.1 The Pensions Act 2004 makes clear that the statutory duty to report overrides any other duties the reporter may have such as confidentiality and that any such duty is not breached by making a report. The Regulator understands the potential impact of a report on relationships, for example, between an employee and their employer.

14.2 The statutory duty to report does not, however, override legal privilege. This means that oral and written communications between a professional legal adviser and their client, or a person representing that client, while obtaining legal advice, do not have to be disclosed. Where appropriate a legal adviser will be able to provide further information on this.

14.3 The Regulator will do its best to protect the reporter's identity (if desired) and will not disclose the information except where lawfully required to do so. It will take all reasonable steps to maintain confidentiality, but it cannot give any categorical assurances as the circumstances may mean that disclosure of the reporter's identity becomes unavoidable in law. This includes circumstances where the regulator is ordered by a court to disclose it.

14.4 The Employment Rights Act 1996 (ERA) provides protection for employees making a whistle blowing disclosure to the regulator. Consequently, where individuals employed by firms or another organisation having a statutory duty to report disagree with a decision not to report to the regulator, they may have protection under the ERA if they make an individual report in good faith. The Regulator expects such individual reports to be rare and confined to the most serious cases.

In all cases, the Regulator expects reporters to act conscientiously and honestly, and to take account of expert or professional advice where appropriate.

#### 15. Training

15.1 The Head of Pensions will ensure that all relevant Officers, Pension Fund Committee members and Pension Fund Board members receive relevant signposting to this policy and provide appropriate training as required.

#### 16. Contact details

16.1 The Pensions Regulator  
Napier House  
Trafalgar Place  
Brighton  
BN1 4DW  
0345 6000707  
[customersupport@tpr.gov.uk](mailto:customersupport@tpr.gov.uk)  
[mark.whitby@westnorthants.gov.uk](mailto:mark.whitby@westnorthants.gov.uk)

Mark Whitby  
Head of Pensions  
One Angel Square  
Angel Street  
NN1 1ED

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Tel –

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Deleted: One Angel Square¶

Angel Street¶

NN1 1ED¶

E-mail – [mwhitby@northamptonshire.gov.uk](mailto:mwhitby@northamptonshire.gov.uk)¶

17. **Further guidance**

Section 70(1) and 70(2) of the Pensions Act 2004:

[www.legislation.gov.uk/ukpga/2004/35/contents](http://www.legislation.gov.uk/ukpga/2004/35/contents)

Employment Rights Act 1996:

[www.legislation.gov.uk/ukpga/1996/18/contents](http://www.legislation.gov.uk/ukpga/1996/18/contents)

Occupational and Personal Pension Schemes (Disclosure of Information)  
Regulations 2013 (Disclosure Regulations):

[www.legislation.gov.uk/uksi/2013/2734/contents/made](http://www.legislation.gov.uk/uksi/2013/2734/contents/made)

Public Service Pension Schemes Act 2013:

[www.legislation.gov.uk/ukpga/2013/25/contents](http://www.legislation.gov.uk/ukpga/2013/25/contents)

Local Government Pension Scheme Regulations (various):

<http://www.lgpsregs.org/timelineregs/Default.html> (pre 2014 schemes)

<http://www.lgpsregs.org/index.php/regs-legislation> (2014 scheme)

The Pensions Regulator's Code of Practice:

<http://www.thepensionsregulator.gov.uk/doc-library/codes.aspx>

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## Appendix 1 - Examples of breaches, but not limited to -

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### Example 1

An employer is late in paying over employee and employer contributions, and so late that it is in breach of the statutory period for making such payments. It is contacted by officers from the administering authority, it immediately pays the moneys that are overdue, and it improves its procedures so that in future contributions are paid over on time. In this instance there has been a breach, but members have not been adversely affected and the employer has put its house in order regarding future payments. The breach is therefore not material to the Regulator and need not be reported.

### Example 2

A large employer is late in submitting its statutory year-end return of pay and contributions in respect of each of its active members and as such it is in breach. Despite repeated reminders it still does not supply its year-end return. Because the administering authority does not have the year-end data it is unable to supply, by 31 August, annual benefit statements to the employer's members. In this instance there has been a breach which is relevant to the Regulator, in part because of the employer's failures, in part because of the enforced breach by the administering authority, and also because members are being denied their annual benefits statements.

### Example 3

A member of the Pension Fund Committee owns a property; a report is made about a possible investment by the Fund, in the same area in which the member's property is situated. The member supports the investment but does not declare an interest and is later found to have materially benefitted when the Fund's investment proceeds. In this case a material breach has arisen, not because of the conflict of interest, but rather because the conflict was not reported.

### Example 4

A pension overpayment is discovered and thus the administering authority has failed to pay the right amounts to the right person at the right time. A breach has therefore occurred. The overpayment is however for a modest amount and the pensioner could not have known that (s) he was being overpaid. The overpayment is therefore waived. In this case there is no need to report the breach as it is not material.

### Example 5

Several overpayments are discovered and thus the administering authority has failed to pay the right amounts to the individuals concerned due to a process failure. The administering authority has failed to put a process in place to avoid reoccurrence and the combined amount is significant. In this instance there has been a breach which is relevant to the Regulator, in part because of the authority's failure to implement a new/improved process and in part because of the enforced breach by the administering authority.

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Appendix 2 – Examples of Scheme Disclosures¶



## Appendix 2 - Examples of Scheme Disclosures

Any deadline not achieved under the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 is classed as a breach of the law, it is the responsibility of Cambridgeshire Pension Fund to assess whether these are likely to be of material significance to the Pensions Regulator.

The table below sets out some of the key disclosure requirements that schemes must satisfy so that they do not breach the disclosure regulations –

Information	Requirement
Provision of basic scheme information to a prospective member	Within one month of the scheme receiving their job holder information. If no such information has been received, within two months of them joining the scheme.
Provision of scheme's annual report	Within two months of the request being received.
Benefit statements for benefits other than Defined Contribution	Within two months of the request being received.
Provision of summary funding statements	Within a reasonable period (normally three months) after the last date on which the scheme is legally required to obtain an actuarial valuation.
Provision of information on death of a member	Within two months of the scheme being notified of the death.
Rights and options to be provided to early leavers	Within 2 months after being notified by the member or their employer that active membership has ceased.

### Appendix 3 - Other matters that are likely to be of material significance to the Pensions Regulator

The below table demonstrates matters that the Pension Regulator is likely to deem of material significance in regard to Cambridgeshire Pension Fund meeting its statutory objectives –

Pension Fund Committee and Pension Board members not having the appropriate degree of knowledge and understanding, which may result in the Committee/Board not fulfilling its role, the Fund not being properly governed and administered.
Pension Fund Committee and Pension Board members having a conflict of interest, which may result in them being prejudiced in the way that they carry out their role.
Adequate internal controls not being established and operated, which may lead to the Fund not being run in accordance with the Scheme's Regulations and other legal requirements, risks not being properly identified and managed and/or the right money not being paid to or by the Fund at the right time.
Accurate information about benefits and Scheme administration not being provided to Scheme members and others, which may result in members not being able to effectively plan or make decisions about their retirement.
Appropriate records not being maintained, which may result in member benefits being calculated incorrectly and/or not being paid to the right person at the right time.
Anyone involved with the administration or management of the Fund misappropriating any of its assets, or being likely to do so, which may result in assets not being safeguarded.
Any other breach which may result in the Fund being poorly governed, managed or administered.

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Cambridgeshire  
Pension Fund

Pension Fund Committee  
25 October 2022

Report by:	Head of Pensions
Subject:	Employer Admissions and Cessations Report
Purpose of the Report:	<p>1. To report the admission of six admitted bodies to the Cambridgeshire Pension Fund across seven admission agreements.</p> <p>2. To notify the Committee of thirteen bodies ceasing participation in the Cambridgeshire Pension Fund.</p>
Recommendations:	<p>That the Pension Fund Committee</p> <p>1. Notes the admission of the following admitted bodies to the Cambridgeshire Pension Fund and approves the sealing of the admission agreements:</p> <ul style="list-style-type: none"><li>• Aspens Services Ltd (2 admissions)</li><li>• Clean Tec Services Ltd</li><li>• Coombs Catering Partnership Ltd</li><li>• Easy Clean Contractors Ltd</li><li>• Miquill South Ltd</li><li>• Servicemaster Clean</li></ul> <p>2. Notes the cessation of the following bodies from the Cambridgeshire Pension Fund:</p> <ul style="list-style-type: none"><li>• ABM Catering Limited (2 admissions)</li><li>• Caterlink Ltd (2 admissions)</li><li>• City Culture Peterborough Ltd</li><li>• Easy Clean Ltd (2 admissions)</li><li>• Elior UK Ltd</li><li>• Excellerate Services UK Ltd (formerly known as LCC Support Service Ltd)</li><li>• Greater Peterborough UTC</li><li>• Miquill South Ltd</li><li>• Peterborough Investment Partnership</li><li>• Vero HR Limitd</li></ul>
Enquiries to:	<p>Name – Cory Blose, Employer services manager Tel – 07990 560829 E-mail – <a href="mailto:cory.blose@westnorthants.gov.uk">cory.blose@westnorthants.gov.uk</a></p>

## 1. Executive Summary

- 1.1 The Pension Fund Committee is asked to note the entry, to the Fund, of five admitted bodies across six admission agreements and to approve the sealing of the admission agreements.
- 1.2 Each admission body is a contractor providing cleaning or catering services in schools. The Committee cannot refuse entry to the Fund where the admission body has agreed to meet their obligations under the Local Government Pension Scheme Regulations, which each has done by signing an admission agreement.
- 1.3 All admissions within this report are “passthrough” admissions meaning the assets and liabilities are retained by the awarding authority, so there is no additional risk to the Fund by admitting these employers.
- 1.4 The Committee is also asked to note the exit of ten employers across thirteen admission agreements from the Fund. The assets and liabilities of all exiting employers included in this report have either been retained by or transferred to another employer in the Fund and therefore no exit payments or exit credits are required.

## 2. Background

- 2.1 The Local Government Pension Scheme Regulations 2013 (as amended) 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 This report provides an update on admissions to and cessations from the Cambridgeshire Pension Fund since the last meeting of the Pension Fund Committee.

## 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 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 Ltd (Fulbourn Primary School)
  - Aspens Services Ltd (St Philip's CofE Aided Primary School)
  - Clean Tec Services Ltd
  - Coombs Catering Partnership Ltd
  - Easy Clean Contractors Ltd
  - Miquill South Ltd
  - Servicemaster Clean

3.4 Full details of each admission is set out in Appendix A.

## 4. Cessations

4.1 The following ten admitted bodies have exited the Fund:

- ABM Catering (Bushmead & Elsworth Primary School)
- ABM Catering (Werrington Primary School)
- Caterlink (The Diamond Learning Partnership Trust)
- Caterlink (Witchford VC Academy)
- City Culture Peterborough
- Easy Clean (The Phoenix Secondary School)
- Easy Clean (William de Yaxley CE Academy)
- Elior UK
- Greater Peterborough UTC
- LCC Services (Witchford College)
- Miquill South Limited
- Peterborough Investment Partnership
- Vero HR Limited

4.2 Full details of each cessation is included in Appendix B.

4.3 The assets and liabilities for all exiting employers included in this report have either been retained by or transferred to another scheme employer in the Fund and therefore no exit payments or exit credits are required.

## 4. 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*

## 5. Risk Management

5.1 The Pension Fund Committee are responsible for approving some admission bodies into the Fund as well as monitoring all admissions and cessations.

5.2 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.	Green

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

[Pension Fund Risk Register hyperlink](#)

## 6. Finance & Resources Implications

- 6.1 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.
- 6.2 The employer contribution rate contains an allowance for administration charges, and the employer is charged a fee to recover the Funds administration costs of on boarding new employers and terminating ceased employers. This means that admissions and cessations should be cost neutral.
- 6.3 Employers who are unable to pay monies due during active membership may result in unpaid liabilities being borne by other employers in the Fund.

## 7. 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.

## 8. Legal Implications

- 8.1 Admitted bodies enter into an admission agreement with the administering authority in order 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.

## 9. Consultation with Key Advisers

- 9.1 Contribution rate and bond assessments are undertaken by Hymans Robertson, the Fund Actuary.

- 9.2 A precedent admission agreement has been drafted by Squire Patton Boggs, specialist pension legal advisers.
- 9.3 Advice was received from the Fund's legal advisers, Squire Patton Boggs, on individual admission cases, where required.
- 10. Alternative Options Considered
  - 10.1 None available.

### Checklist of Key Approvals

Has this report been cleared by Section 151 Officer? Yes.

Has this report been cleared by Head of Pensions? Yes.

Has the Chair of the Pension Fund Committee been consulted? Yes

Has this report been cleared by Legal Services? Yes.

<b>Appendix A: New Admission Bodies</b>		
Date	New Admission Body	Background information
13/02/2021	Aspens Services Ltd (Fulbourn Primary School)	Aspens Services Ltd have entered into a contract with Fulbourn Primary 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 with the liabilities retained by Cambridgeshire County Council. The backdated contributions have been collected.
01/04/2021	Aspens Services Ltd (St Philip's CofE Aided Primary School)	Aspens Services Ltd have entered into a contract with St Philip's CofE Aided Primary 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 with the liabilities retained by Cambridgeshire County Council. We set a deadline of 19th September for the return of contributions.
14/10/2021	CleanTec Services Ltd (Godmanchester Community Academy)	CleanTec Services Ltd have entered into a contract with the Aces Academies Trust to provide cleaning services at The Godmanchester Community Academy. 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 with the liabilities retained by Aces Academies Trust. The backdated contributions have been collected.
01/09/2021	Coombs Catering Partnership Ltd (Leighton Primary School)	Coombs Catering Partnership Ltd have entered into a contract with Peterborough City Council to provide catering services at Leighton Primary School. 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 with the liabilities retained by Peterborough City Council. The backdated contributions have been collected.
08/11/2021	Easy Clean Contractors Ltd (William de Yaxley CE Academy)	Easy Clean Contractors Ltd have entered into a contract with the Diocese of Ely Multi Academy Trust (DEMAT) to provide cleaning services at The William de Yaxley CE Academy. 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 with the liabilities retained by DEMAT. We have set a deadline of 19th September for the return of contributions.



<b>Appendix A: New Admission Bodies</b>		
Date	New Admission Body	Background information
18/12/2021	Miquill South Ltd (Bewick Bridge Community Primary School)	Miquill South Ltd have entered into a contract with Bewick Bridge Community Primary 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 with the liabilities retained by Cambridgeshire County Council. The backdated contributions have been collected. This admission has since ceased and will also appear in the cessations section of this report.
01/09/2021	Servicemaster Clean (Kingsfield Primary School)	Servicemaster have entered into a contract with The Active Learning Trust to provide cleaning services at Kingsfield Primary School. 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 with the liabilities retained by The Active Learning Trust. The backdated contributions have been collected.

## **Appendix B: Exiting Scheme Employers**

### **ABM Catering (Bushmead & Elsworth Primary School)**

ABM Catering were admitted to the Fund under a pass through agreement on 1 September 2018 after entering a contract to provide catering services to Bushmead and Elsworth Primary Schools.

On 31 March 2022, the contract ended. No exit payment or credit is required as the pension liabilities were retained by Cambridgeshire County Council.

### **ABM Catering (Werrington Primary School)**

ABM Catering were admitted to the Fund under a pass through agreement on 1 August 2018 after entering a contract to provide catering services to Werrington Primary School.

On 28 February 2022, the last active member left the scheme. No exit payment or credit is required as the pension liabilities were retained by the SOKE Education Trust Ltd.

### **Caterlink (The Diamond Learning Partnership Trust)**

Caterlink were admitted to the Fund under a pass through agreement on 1 June 2016 after entering a contract to provide catering services to The Diamond Learning Partnership Trust.

On 31 August 2022, the contract ended. No exit payment or credit is required as the pension liabilities were retained by The Diamond Learning Partnership Trust.

### **Caterlink (Witchford VC Academy)**

Caterlink were admitted to the Fund under a pass through agreement on 1 September 2018 after entering a contract to provide catering services to the Witchford Village College Academy.

On 28 August 2021, the last active member left the scheme. No exit payment or credit was required as the pension liabilities were retained by The Eastern Learning Alliance.

### **City Culture Peterborough**

City Culture Peterborough were admitted to the Fund under a pass through agreement on 1 October 2020 after entering a contract with Peterborough City Council to manage the city's culture and heritage facilities.

On 31 March 2022, the contract ended. No exit payment or credit is required as the pension liabilities were retained by Peterborough City Council.

### **Easy Clean (The Phoenix Secondary School)**

Easy Clean Contractors Ltd were admitted to the Fund under a pass through agreement on 1 September 2019 after entering a contract to provide catering services to The Phoenix Secondary School.

On 29 April 2022, the contract ended. No exit payment or credit is required as the pension liabilities were retained by The Lime Trust.

### **Easy Clean (William de Yaxley CE Academy)**

Easy Clean Contractors Ltd were admitted to the Fund under a pass through agreement on 8 November 2021 after entering a contract to provide cleaning services to William de Yaxley CE Academy.

On 16 June 2022, the last active member left the scheme. No exit payment or credit is required as the pension liabilities were retained by the Diocese of Ely Multi Academy Trust.

### Elior UK

Elior UK were admitted to the Fund under a pass through agreement on 3 January 2017 after entering a sub-contract to provide catering services to Peterborough City Council.

On 16 June 2022, the last active member left the scheme. No exit payment or credit is required as the pension liabilities were retained by Peterborough City Council.

### Greater Peterborough UTC

Greater Peterborough UTC was created as an Academy Trust on 1 September 2016 and began participating as a Scheduled Body from that date..

On 31 May 2021 Greater Peterborough UTC joined Meridian Trust and ceased participating as a separate employer in the Fund. All pension assets and liabilities in relation to Greater Peterborough UTC have been transferred to Meridian Trust.

### LCC Services (Witchford College)

LCC Services Ltd were admitted to the Fund under a pass through agreement on 1 April 2016 after entering a contract to provide cleaning services to Witchford College.

On 28 August 2021, they ceased participation in the Fund following their last active member leaving the LGPS. No exit payment or credit was required as the pension liabilities were retained by The Eastern Learning Alliance.

### Miquill South Ltd (Bewick Bridge Community Primary School)

Miquill South Ltd were admitted to the Fund under a pass through agreement on 18 December 2021 after entering a contract to provide catering services to Bewick Bridge Community Primary School.

On 31 March 2022, they ceased participation in the Fund following their last active member leaving the LGPS. No exit payment or credit was required as the pension liabilities were retained by Cambridgeshire County Council.

### Peterborough Investment Partnership

Peterborough Investment Partnership (PIP) were admitted to the Fund under a pass through agreement on 1 May 2021 having been created as a joint venture between Peterborough City Council and Peterborough Partnership Limited to undertake activities with the aim of regenerating the city.

On 30 April 2022, the last active member left the scheme. No exit payment or credit is required as the pension liabilities were retained by Peterborough City Council.

### Vero HR Limited

Vero HR Ltd were admitted to the Fund under a pass through agreement on 1 April 2016 after entering a contract to provide HR services to Peterborough City Council.

On 30 Jun 2022, the contract ended. No exit payment or credit is required as the pension liabilities were retained by Peterborough City Council.

# Cambridgeshire Pension Fund Committee/Investment Sub Committee Agenda Plan

Meeting date	Agenda item	Lead officer
<b>25/10/2022</b> <b>PFC</b>	Administration Report [standing item]	J Kent
	Business Plan Update [standing item]	M Whitby
	Employers Admission and Cessation Report	C Blose
	Governance and Compliance Report [standing item]	J Kent
	External Audit Plan [to note]	B Barlow
	Internal Audit Review [to note]	B Barlow
	Cyber Resilience [standing item] exempt	J Kent
	ACCESS Update [standing item] exempt	M Whitby
	Reporting Breaches of the Law to the Pensions Regulator [approval]	M Oakensen
	Valuation Update - Funding Strategy Statement and Valuation results [approval]	C Blose
<b>17/11/2022</b> <b>ISC</b>	Cambridgeshire County Council Pension Fund Quarterly Performance Report [standing Item]	B Barlow
	Manager Presentation – Cambridge & Counties Bank exempt	B Barlow
	Responsible Investment - Passive Equity Options exempt	B Barlow
	Bluebay MAC exempt	B Barlow
	Property Portfolio Review exempt	B Barlow
	Stewardship Report exempt	B Barlow
<b>14/12/2022</b> <b>PFC</b>	Administration Report [standing item]	M Oakensen

Meeting date	Agenda item	Lead officer
	Business Plan Update [standing item]	M Whitby
	Employers Admission and Cessation Report [standing item]	C Blose
	Governance and Compliance Report [standing item]	M Oakensen
	Cyber Resilience [standing item] exempt	M Oakensen
	ACCESS Update [standing item] exempt	M Whitby
	Risk Monitoring [standing item] exempt	M Oakensen
	Funding Strategy Statement [approval]	C Blose
	Conflicts of Interest policy [approval]	M Oakensen
	Risk Strategy [approval]	M Oakensen
	Administration Strategy [approval]	C Blose
	Final accounts & ISA 260 [to note]	B Barlow
<b>23/02/2023 ISC</b>	Cambridgeshire County Council Pension Fund Quarterly Performance Report [standing Item]	B Barlow
	Manager Presentation – TBC exempt	B Barlow
	Private Equity Portfolio Review exempt	B Barlow
	Responsible Investment - TBC exempt	B Barlow
<b>30/3/2023 PFC</b>	Administration Report [standing item]	M Oakensen
	Business Plan Update [standing item]	M Whitby
	Employers Admission and Cessation Report [standing item]	C Blose
	Governance and Compliance Report [standing item]	M Oakensen

Meeting date	Agenda item	Lead officer
	Cyber Resilience [standing item] exempt	M Oakensen
	ACCESS Update [standing item] exempt	M Whitby
	Investment Strategy Review [approval] exempt	B Barlow
	Annual Business Plan and Medium-Term Strategy [approval]	M Whitby
	Overpayment of Pension Policy [approval]	M Oakensen
	Communication Strategy and Plan [approval]	C Blose
	Review of website and digital communications [to note]	C Blose
	Valuation Update [to note]	C Blose
	Code of Practice Action Plan [to note]	M Oakensen
	Good Governance Review Action plan [to note]	M Oakensen
<b>June 22</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
	Cyber Resilience [standing item] exempt	M Oakensen
	ACCESS Update [standing item] exempt	M Whitby
	Cash Management Strategy [approval]	M Whitby
	Private Equity Review [to note] exempt	B Barlow
	Progress on Code of Practice Action Plan [to note]	M Oakensen

Meeting date	Agenda item	Lead officer
	Progress on Good Governance Review Action plan [to note]	M Oakensen