County Offices
Newland
Lincoln
LN1 1YL

1 November 2023

LGPS Local Pension Board

A meeting of the LGPS Local Pension Board will be held on **Thursday, 9 November 2023 at 2.00 pm in the Council Chamber, County Offices, Newland, Lincoln LN1 1YL** for the transaction of the business set out on the attached Agenda.

MEMBERS OF THE BOARD

Independent Chair (non-voting)**:** Roger Buttery

Employer Representatives (voting)**:** Councillor M A Whittington and Peter Allan

Scheme Member Representatives (voting)**:** Kim Cammack and David Vickers

AGENDA

Published on Wednesday, 1 November 2023

Please note: This meeting will be broadcast live on the internet and access can be sought by accessing Agenda for LGPS Local Pension Board on Thursday, 9th November, 2023, 2.00 pm (moderngov.co.uk)

Should you have any queries on the arrangements for this meeting, please contact Thomas Crofts via telephone 01522 552334 or alternatively via email at thomas.crofts@lincolnshire.gov.uk

Lincolnshire COUNTY COUNCIL Working for a better future

LGPS LOCAL PENSION BOARD
13 JULY 2023

PRESENT:

Independent Chair: Roger Buttery

Employer Representatives: Councillor M A Whittington and Peter Allan

Officers in attendance:-
Michelle Grady (Assistant Director – Finance), Jo Kempton (Head of Pensions), Josh Drotleff (Finance Technician) and Thomas Crofts (Democratic Services Officer)

Others in attendance:-
Matt Mott (West Yorkshire Pensions Fund) and John Pressley (Mazars)

31 APOLOGIES FOR ABSENCE

Apologies for absence were received from Kim Cammack (Scheme Member Representative) and David Vickers (Scheme Member Representative).

The meeting was found to be inquorate and continued as an informal meeting.

32 DECLARATIONS OF INTEREST

Councillor M A Whittington declared that his spouse was in receipt of a pension from the Fund for openness and transparency.

Peter Allan declared an interest as a contributing member of the Pension Fund for openness and transparency.

33 MINUTES OF THE PREVIOUS MEETING HELD ON 16 MARCH 2023

The minutes were considered to be a correct record.

CONCLUSION

That the minutes of the meeting held on 16 March 2023 be approved as a correct record and signed by the Chairman, subject to ratification by the Board.

34 PENSION BOARD APPOINTMENTS

The Board were advised by the Head of Pensions that Gerry Tawton and Kim Cammack had served their terms in the posts of Employer Representative and Scheme Member

Representative, respectively. It was noted that Kim Cammack would be serving another term as Scheme Members Representative and Peter Allan would be serving as the new Employer Representative.

The Board welcomed Peter Allan to the membership and thanked Gerry for his service.

CONCLUSION

That the Board appointments be noted.

35 PENSION FUND UPDATE REPORT

Consideration was given to a report by the Head of Pensions, which provided an update on Fund matters.

The Board was provided with updates on the following:

- Breaches Register Update.
- Recruitment to new posts.
- Risk Register Update.
- Asset Pooling Update.
- Work of the Officer Operations Group.
- Internal audit assurances were found to be good for the Fund administrator.
- The long awaited consultation on pooling had been published which set expectations that pension funds invest 10% of their holdings in private equity, and 5% locally in line with the Levelling Up agenda.

In response to question, the following comments were made:

- The Government could not direct Fund investments under existing regulations.
- Local investments meant the UK, not Lincolnshire.
- Global private equity investments did not have to be 'local'.
- The 5% local investment expectation included existing investments, not just additional investments.
- Approximately 8% of the Fund's current investments were in private equity.
- The new posts within the Pensions team were career graded – with one specialising in accounting and scheme administration and the other specialising in investments and stewardship.
- The Fund's draft response to the pooling consultation would be presented to the Pensions Committee in September.
- Concerns were raised regarding economies of scale in relation to pooling, as the current arrangement worked well for the Fund.

CONCLUSION

That the Fund update be noted.

36 PENSIONS ADMINISTRATION REPORT

Consideration was given to a report by West Yorkshire Pension Fund (WYPF), which provided an update on current administration issues. The following matters were highlighted:

- Staffing and resourcing presented the greatest challenge regarding administration performance. One area affected had been in the administration of instances of death in service – with two instances missing deadlines by three days.
    - An update was given on deferred benefits, transfers and refunds undertaken by the administrator which had also not met the KPI targets.
- There were two outstanding Ombudsman complaints reported.
- All Board members of the West Yorkshire Pension Fund had now completed the Pensions Regulator training on pension scams and they had now signed up to the pension scams pledge with effect from April 2023.
- The annual revaluation date for CARE pensions required changes to align with the tax year, to ensure that scheme members did not face unnecessary additional tax charges through the annual allowance limits.
- The pensions dashboard deadline had been extended to 31 October 2026; however, WYPF was still planning to meet the original deadline of September 2024.

In response to question, the following comments were made:

- It was down to the employer to ensure timely data submissions and necessary assurances from their payroll providers.
- Late data submissions would be taken up with both the employer and their payroll provider; however, only the employer would receive a fine if failures persisted.

CONCLUSION

That the report be noted.

37 DATA QUALITY REPORT

Consideration was given to a report by West Yorkshire Pension Fund (WYPF), which updated the Board on the data quality scores for Lincolnshire Pension Fund. The following was highlighted:

- The overall direction of travel concerning the quality of data was positive.
- There were 2,381 addresses missing in the records for deferred scheme members – this was a decrease of 39.
- There were 5,327 records missing national insurance contributions – a decrease of 89.

- Data cleansing and updating was continual and the WYPF was broadly happy with the state of their records.

In response to a question, it was clarified that the administrator wrote to the scheme member when they left an organisation and sent annual letters to that person, providing their address was kept up to date. If it came to the administrator’s attention that the address was no longer valid, then work would be undertaken to try and trace the member.

CONCLUSION

That the report be noted.

38 ANNUAL REPORT AND ACCOUNTS 2022-23: DRAFT ANNUAL REPORT AND ACCOUNTS

The Head of Pensions presented the draft Annual Report and Accounts 2022-23, as approved by the Committee. Attention was drawn to the following matters:

- The management arrangements of the Fund.
- The report of the Pensions Committee and Local Pension Board respectively, which gave updates on their activities over the year.
- The management report of the administering authority, which reported the following:
    - Scheme membership had increased.
    - Deferred beneficiaries remained stable.
    - The strategic asset allocation, as before the meeting of the March Pensions Committee.
    - A tracking of the retail price index and public sector earnings compared to Fund performance.
    - Performance across the various investment managers.
    - Information on the top 20 holdings in the fund – which had moved towards pooled funds and therefore appeared to be more concentrated.
    - A breakdown of asset class and the investment managers.
    - Funding level changes, stewardship and risks.
    - The business plan and associated budgeting.
- Employer contributions paid over the previous year.
- Asset Pooling, which included the net savings achieved.
- The investment background and performance of the major indices.
- An overview of the administration of benefits for scheme members, which included information on disaster recovery and customer satisfaction levels.
- A summary of the LGPS Contributions and Benefits
- Pension fund knowledge and skills.
- A breakdown of the Fund’s account and notes, which covered:
    - The Committee’s setting of standards
    - A summary of transactions taken place throughout the year
    - Valuations and capital commitments

- A note that contributions exceed benefits paid, equating to a positive cashflow
- A note that cash balances had increased ten-fold, showing the impact of increasing interest rates.

John Pressley from the external auditor, Mazars, presented the Audit Strategy Development Update – he highlighted the following:

- One significant risk considered was regarding the valuation of Level 3 (hard to value) investments, which, by their nature, presented possible discrepancies in the valuation report. However, the report was in line with previous year.
- The audit opinion was due to be released in November 2023 on the 2022-23 accounts as further work needed to be completed.
- Additional work had been required on the 2021-2022 accounts, as the March 2022 triennial review had been completed before the accounts had been signed off.

It was clarified that the value of investments fell in 2022-23 which in turn reduced costs and management fees. It was also clarified that the delay to the accounts being finalised for Audit was as a consequence of timings of certain asset values being received rather than problems being identified.

CONCLUSION

1. That the report be noted.
2. That Board be satisfied with the draft Pension Fund Annual Report and Accounts, subject to ratification by the Board.

39 TRAINING NEEDS

The Board's training needs were considered.

CONCLUSION

1. That the training needs be noted.
2. That the Board Training Policy be approved, subject to ratification by the Board.

40 WORK PROGRAMME

A report on the Board's work programme was submitted, which presented the items for consideration at future meetings.

Members were advised that the next meeting of the Board was moved to 9 November 2023, and that the report to the Pensions Committee regarding the pooling consultation would be shared with the Board.

The Board was keen to see a report on Border to Coast's accounts at a subsequent meeting.

CONCLUSION

That the report on the work programme be noted.

The meeting closed at 3.45 pm

Lincolnshire COUNTY COUNCIL Working for a better future

Open Report on behalf of Andrew Crookham, Deputy Chief Executive & Executive Director - Resources

Report to:	**LGPS Local Pension Board**
Date:	**9 November 2023**
Subject:	**Pension Fund Update Report**

Summary:

This report updates the Board on Fund matters for the quarter ending 30 June 2023 and any other current issues.

The report covers:

1. TPR Checklist Dashboard and Code of Practice
2. Breaches Register Update
3. Risk Register Update
4. Asset Pooling Update
5. Annual Report and External Audit Update
6. Committee Paper Comments

Recommendation(s):

That the Board consider and discuss the report and agree whether any action or additional information is required.

Background

1. TPR Checklist Dashboard and Code of Practice

1.1 To assist in the governance of the Lincolnshire Fund, it assesses itself against the requirements of the Pension Regulator's (TPR's) code of practice 14 for public service pension schemes, as set out in a check list attached at appendix A. This is presented to the Committee and Board at each quarterly meeting, and any non-compliant or incomplete areas are addressed. This is seen as best practice in open and transparent governance.

1.2 There have been no changes since the last quarter's report. The areas that are not fully completed and/or compliant are listed below.

B12 – Knowledge and Understanding – Have the pension board members completed the Pension Regulator's toolkit for training on the Code of Practice number 14?

Amber – As set out in the Fund's Training policy, it is a mandatory requirement that all PC members complete this in addition to the PB members and provide copies of the completion certificate to the Head of Pensions. However, there has been some turnover of members in both the Board and the Committee who all have a period of six months to complete their training, therefore this should be green by January, if not earlier.

F1 – Maintaining Accurate Member Data – Do member records record the information required as defined in the Record Keeping Regulations and is it accurate?

Amber – Scheme member records are maintained by WYPF. Much of the information here and in later questions relates to the records they hold on LCC's behalf. However, as the scheme manager, LCC is required to be satisfied the regulations are being adhered to. Data accuracy is checked as part of the valuation process and the annual benefits statement process. Monthly data submissions and employer training are improving data accuracy, however there are a number of historical data issues that are in the process of being identified and rectified.

F5 - Maintaining Accurate Member Data – Are records kept of decisions made by the Pension Board, outside of meetings as required by the Record Keeping Regulations?

Grey – not relevant as we do not expect there to be decisions outside of the PB. This will be monitored.

H7 - Maintaining Contributions – Is basic scheme information provided to all new and prospective members within the required timescales?

*Amber - New starter information is issued by WYPF, **when they have been notified by employers**. This is done by issuing a notification of joining with a nomination form, transfer form and a link to the website. However, because the SLA relates to when notified, it does not necessarily mean the legal timescale has been met which is within 2 months of joining the scheme. The monthly data returns and employer training are improving this process.*

K7 – Scheme Advisory Board Guidance - Members of a Local Pension Board should undertake a personal training needs analysis and put in place a personalised training plan.

Remaining Amber - Training is a standing item on the Pension Board agenda and opportunities are shared with the Board as they arise. Pension Board members all complete a training log annually to record all training undertaken.

2. Breaches Reporting - update

2.1 The Fund and those charged with its governance have a requirement to log and, where necessary, report breaches to the Pensions Regular. The Breaches Register attached at appendix B shows those breaches logged over the last twelve months. Since the last quarter end, one breach has been added, detailed below:

- **Late payment of contributions** – there have been some late employers over the quarter, but nothing of significance that requires reporting to TPR. A separate paper will be presented annually to the January meeting of this Board covering this and other employer monitoring.

3. Risk Register Update

3.1 The risk register is brought to this Committee at agenda item 7, for the annual review.

4. Asset Pooling Update

Sub Funds

4.1 Work has continued with the development of the real estate funds, with the next transition for Lincolnshire expected to be into the Core Global Property fund, due to be launched later in 2023.

4.2 Since the last Committee meeting, Border to Coast has held workshops and meetings with officers and advisors covering quarterly external and internal funds, property, UK opportunities, passive funds, responsible investment and the pooling consultation.

Joint Committee Meetings

4.3 The last Joint Committee was held on Thursday 28 September 2023 and papers were shared with the Board. The agenda items were:

- Election of Vice Chairman
- Schedule of Future Meetings
- Joint Committee Budget
- Responsible Investment Update
- Market Review
- 2030 Strategy
- LGPS Consultation
- Annual Review of UK Listed and Overseas Developed Equities
- Annual Review of Alternatives
- Annual Review of Listed Alternatives
- CEO Report
- Investment Review Quarter Ended 30 June 2023

4.4 The next meeting of the Joint Committee is being held on 28 November and papers will be shared with the Board once they become available. Any questions or comments on the papers should be directed to Cllr Strengiel, Chairman of the Pensions Committee, who can raise them at the meeting.

Shareholder Matters

4.5 As the Board are aware, there are two distinct roles that Lincolnshire County Council has with Border to Coast: the shareholder and the investor (or client). The Committee's role is that of investor and is represented at the Joint Committee by the Chairman of the Pensions Committee. The shareholder role is undertaken by the Executive Director of Resources and fulfils the role as set out in the Shareholder Agreement, which was recently updated following review and approved by Full Council in February 2023.

4.6 Ahead of any shareholder approvals, officers, including S151 officers, work closely with Border to Coast to ensure full understanding of the resolution, the impact of it not being approved and discuss this with the JC ahead of any resolution being sent for approval. An informal shareholder meeting is also held on the date of each Joint Committee meeting.

4.7 There were a number of shareholder resolutions at the AGM, held on 18 July, all of which were approved:

- Adoption of the Accounts for the year ended 31 March 2023
- Re-appointment of the External Auditor
- Note the Directors Outside Business Interest Policy
- Receive the Register of Directors Interests
- Approval of the extension to Ms Guthrie’s term as a director of the Board to 30 September 2027
- Approval of the extension to Cllr Holtby’s term as a director of the Board to 30 September 2024
- Approval of the appointment of Richard Hawkins as a new non-executive director of the Company (term to 30 September 2026)

Future Funding Model

4.8 The current funding model, as shaped by the Partner Funds prior to inception of Border to Coast, was designed to support funding both regulatory capital (as required by the FCA) and revenue and liquidity requirements throughout the initial start-up period (expected to be c. five years). It aimed to address the following requirements over this initial build period:

- Provide the required resources to support the build of a long-term resilient and sustainable operating model, that was sufficiently flexible so as to be able to adapt to meet Partner Funds’ changing needs.
- Provide an initial degree of detailed oversight of the organisation as a corporate entity by Partner Funds whilst trust and operational requirements could be refined on the basis of experience.

- Build a financing model that was based on the principal of supporting a “not for profit” operating model.
- Ensure the firm did not experience liquidity or capital issues during the build period.
- Charge Partner Funds based on their long-term strategic asset allocation (i.e. not their actual assets under management (AUM)) to ensure a fairer allocation of costs during the initial asset transition period, given that not all assets could transition at the same time.

4.9 It was always anticipated that the model would need to adapt and move to something more commonly seen in the wider industry, where charges are based on actual assets under management. Discussions have been ongoing for the last couple of years on when and what needs to change to implement a new model. The intention was for this change to be implemented from April 2025 but, at the request of Partner Funds, Border to Coast has looked to accelerate this to be ready from April 2024. Although this is a challenging delivery date, with some matters still to conclude, with Board and Partner Funds support and agreement, it is expected to be on track to meet this date. This section provides some background ahead of the final model being agreed.

4.10 A joint project group has been established, and Border to Coast has worked with Partner Funds officers to propose a new approach and outline a model for review and approval by both the Board and Partner Funds.

4.11 Further information to outline the key changes proposed, and the approvals required to implement the changes, are set out in the paragraphs below:

Why Change?

- Basing Partner Funds’ costs on actual AUM makes benchmarking easier, enables easier monitoring of the total costs of investing in each sub-fund, and supports a focus on value rather than cost.
- A change could support longer-term planning and flexibility to deal with in-year events than is currently the case. However, Partner Funds have requested that the Company continues to prepare an annual budget, to enable oversight and management of any potential cost creep through this change.

What is proposed to change?

- The costs will not change in total but rather the way they are allocated between the Partner Funds. At a basic level, it is proposed that Border to Coast will stop invoicing Partner Funds a share of the annual budget based on their long-term strategic asset allocation. Instead, an Annual Management Charge (AMC) will be applied to the investment funds which will be allocated in proportion to each Partner Fund’s share of the total AUM of the fund. The AMC will reflect the actual costs incurred by Border to Coast.
- Protections will be put in place to ensure some cost certainty for Border to Coast (e.g. if the AUM significantly falls), which if not there could result in Border to Coast requiring a shareholder capital injection to meet its regulatory capital requirements. This mechanism will also support future optionality and

shareholder non-compliance with the pooling guiding principles. It also avoids the need to hold extra capital and provides a means of managing liquidity requirements.

What is not proposed to change?

- The Annual Budget will continue to be approved by shareholders.
- Governance and Project costs will continue to be charged to Shareholders on a 1/11th basis.
- The charging structure for Private Markets (including Global Real Estate) will not change, which already charges on a committed assets basis.

Changes required to make this effective

- Fund documentation (the Prospectus): For each sub-fund, the ability to charge an Annual Management Charge (reflecting Border to Coast's actual costs) but subject to a capped percentage.
- Shareholder Agreement: There will be a few minor changes to the Shareholders' Agreement to enable this change to be effected. The current wording under Section 4.1 states "Each Shareholder shall pay an annual operating charge to BCPP in the amount specified in the Annual Budget in relation to services provided by BCPP as specified in the Annual Budget". However, because the AMC will be charged to the funds, it will be the investors in each fund who will now be paying these costs i.e. not the shareholders and therefore the above wording needs to be changed to remove these costs from the Annual Operator Charge.
- In addition, to protect Border to Coast from the risk of not being able to fully recover its costs (i.e. if the actual costs are greater than the AMC capped amount), the agreement will be amended to make each shareholder liable to make an equal contribution towards the shortfall.

Pension Cost Charge Agreement

- It is proposed to remove the cost sharing principles from this Agreement, with no other changes required. The Cost Sharing Principles are to be included as part of the Annual Budget process to give clarity on how Partner Funds pay for their investment related activities and their future liabilities on pensions shortfall – as is the case now.

4.12 Following the changes to the approval process for Border to Coast Governance documents agreed at the February Full Council meeting, once all changes are finalised these will be brought in full to the Pensions Committee for approval.

5. Annual Report and Accounts – External Audit Update

5.1 2021/22

At the time of writing, the Pension Fund is expected to receive the external auditor's opinion on the 2021/22 accounts and consistency opinion for the Annual Report by the end of October. Once received, the updated Annual Report, to include the audit opinion, will be published on the Pension Fund website. The Board received the external auditors report on the 2021/22 accounts audit at the meeting on 1 December 2022, and there are no further matters to report to the Board in relation to this.

5.2 2022/23

Over the summer, the majority of unquoted holdings 31 March valuations were received and, after review by Pension Fund Officers, incorporated into the Pension Fund Accounts. The total impact of these updated valuations was a £7.896m increase in asset values (across private markets, infrastructure, and property venture). Following this adjustment, the final two 31 March valuations were received in early October. They reduced the overall asset value by £0.109m. No change has been made to the accounts for this movement as it is not deemed to be a material change.

5.3 The external auditor is still working on the 2022/23 accounts and hopes to give an opinion by the end of 2023. The planning work for the 2022/23 audit year is largely complete, as is the revenue element of the final accounts audit. The audit team is currently liaising with the pensions finance team to complete the work on the investment assets. The work appears to be progressing well and we are not aware of any issues arising that need to be reported to the Board. The external auditors Audit Completion Report will be presented to the Board at the January 2024 meeting.

5.4 The external auditor has also completed the required testing and procedures on the 2022 Local Government Pension Scheme triennial revaluation. No issues were identified from this work and the external auditor issued their assurance letters in August. This assurance work was required to facilitate the sign off the Pension Fund and County Council audits for 2021/22 and 2022/23.

6 Committee Paper Comments

6.1 The Pensions Committee papers for the meeting dated 12 October 2023 have been shared with the Board. The agenda contained the following reports:

- Local Board Report
- Fund Update
- Administration Update
- Risk Register Review
- Border to Coast Strategy

6.2 As the focus of the Committee is different to that of the Board, not all areas are covered in this meeting. The Board have the opportunity to discuss any aspects of the Committee's papers where further clarity is required.

Conclusion

7 The Fund Update report is a quarterly report to the Pension Board, to provide an update on Pension Fund matters and any current issues.

Consultation

a) Risks and Impact Analysis

The Pension Fund has a risk register which can be obtained by contacting the Head of Pensions.

Appendices

These are listed below and attached at the back of the report	
Appendix A	TPR Checklist Dashboard
Appendix B	Breaches Register

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Jo Kempton, who can be contacted on 01522 553656 or jo.kempton@lincolnshire.gov.uk.

The Pension Regulator’s and Scheme Advisory Board Compliance Checklist

Summary Results Dashboard

No	Completed	Compliant
	Reporting Duties	
A1	G	G
A2	G	G
A3	G	G
A4	G	G
	Knowledge & Understanding	
B1	G	G
B2	G	G
B3	G	G
B4	G	G
B5	G	G
B6	G	G
B7	G	G
B8	G	G
B9	G	G
B10	G	G
B11	G	G
B12	A	A
	Conflicts of Interest	
C1	G	G
C2	G	G
C3	G	G

No	Completed	Compliant
C4	G	G
C5	G	G
C6	G	G
C7	G	G
C8	G	G
C9	G	G
C10	G	G
C11	G	G
	Publishing Scheme Information	
D1	G	G
D2	G	G
D3	G	G
D4	G	G
	Risk and Internal Controls	
E1	G	G
E2	G	G
E3	G	G
E4	G	G
E5	G	G
E6	G	G
E7	G	G
E8	G	G

No	Completed	Compliant
	Maintaining Accurate Member Data	
F1	A	A
F2	G	G
F3	G	G
F4	G	G
F5		
F6	G	G
F7	G	G
F8	G	G
F9	G	G
F10	G	G
F11	G	G
	Maintaining Contributions	
G1	G	G
G2	G	G
G3	G	G
G4	G	G
G5	G	G
G6	G	G
G7	G	G
G8	G	G
G9	G	G

No	Completed	Compliant
	Providing Information to Members and Others	
H1	G	G
H2	G	G
H3	G	G
H4	G	G
H5	G	G
H6	G	G
H7	G	A
H8	G	G
H9	G	G
H10	G	G
H11	G	G
H12	G	G
H13	G	G
	Internal Dispute Resolution	
I1	G	G
I2	G	G
I3	G	G
I4	G	G
I5	G	G
I6	G	G
I7	G	G

No	Completed	Compliant
I8	G	G
I9	G	G
	Reporting Breaches	
J1	G	G
J2	G	G
J3	G	G
	Scheme Advisory Board Requirements	
K1	G	G
K2	G	G
K3	G	G
K4	G	G
K5	G	G
K6	G	G
K7	A	A
K8	G	G
K9	G	G
K10	G	G
K11	G	G
K12	G	G
K13	G	G
K14	G	G
K15	G	G

Appendix A

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Lincolnshire Pension Board Record of Breaches

Date	**Category (e.g. administration, contributions, funding, investment, criminal activity)**	**Description and cause of breach**	**Possible effect of breach and wider implications**	**Reaction of relevant parties to breach**	**Reported / Not reported (with justification if not reported and dates)**	**Outcome of report and/or investigations**	**Outstanding actions**
Sept 22	Contributions – updates	Late payments	Cashflow issues, data not provided to WYPF to action – e.g. retirements	Made aware and fined in some circumstances	Not reported – not material to LPF		Continuing training and communications with employers Review of process
Dec 22	Contributions – updates	Late payments	Cashflow issues, data not provided to WYPF to action – e.g. retirements	Made aware and fined in some circumstances	Not reported – not material to LPF		Continuing training and communications with employers Review of process
March 23	Contributions – updates	Late payments	Cashflow issues, data not provided to WYPF to action – e.g. retirements	Made aware and fined in some circumstances	Not reported – not material to LPF		Continuing training and communications with employers Review of process
Jun 23	Contributions – updates	Late payments	Cashflow issues, data not provided to WYPF to action – e.g. retirements	Made aware and fined in some circumstances	Not reported – not material to LPF		Continuing training and communications with employers Review of process

Appendix B

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Open Report on behalf of Andrew Crookham, Deputy Chief Executive and Executive Director - Resources

Report to:	**LGPS Local Pension Board**
Date:	**9 November 2023**
Subject:	**Pensions Administration Report**

Summary:

This is the quarterly report by the Fund's pension administrator, West Yorkshire Pension Fund (WYPF).

Matt Mott, Head of Governance and Business Development from WYPF, will update the Board on current administration issues.

Recommendation(s):

That the Board discuss the activity and performance of the administration service during the last quarter.

Background

1.0 Performance and Benchmarking

1.1 WYPF uses workflow processes developed internally to organise their daily work with target dates and performance measures built into the system. The performance measures ensure tasks are prioritised on a daily basis, however Team Managers have the flexibility to re-schedule work should time pressure demand.

1.2 KPI narrative

The information shown below provides details of the KPIs where the target has not been met in the period 1 April 2023 to 30 June 2023. The full table of KPIs are in Appendix A.

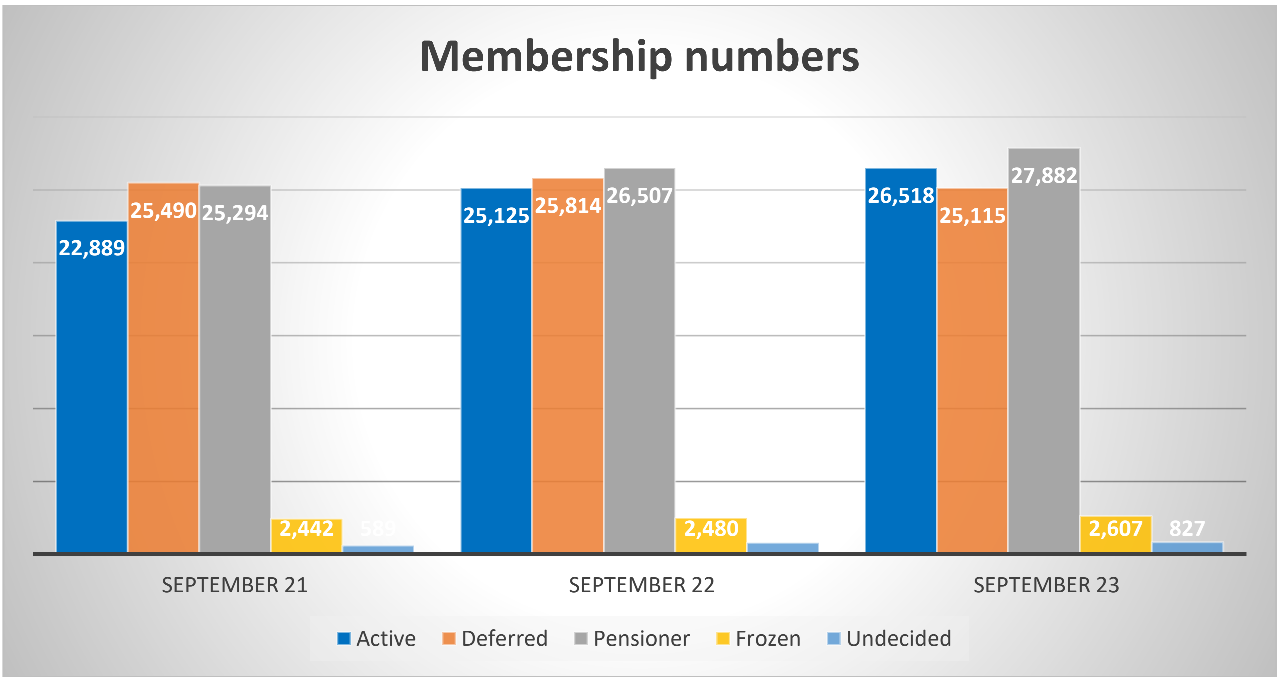
Work Type	Reason for underperformance	Target % met
Death on Deferred	A number of staff were on annual leave in April and there has been a significant increase	72.73%

	in post received by the team due to Pensions Increase. This has led to an increase in the time taken by Senior Pension Officers (SPO's) to pass work out to the Pension Officers (PO's) which has an effect on the SPO's time to authorise processes and also the time for the PO's who are dealing with these processes.	
Deferred Benefits Into Payment Quote	The Team are working their way through the older quotes that have been delayed as other retirement work had previously been prioritised. These are being dealt with in date order.	59.63%
Deferred Benefits Set Up on Leaving	The Team are working on older cases as well as new BAU cases. The Team continue to work on the older cases to reduce the numbers.	66.35%
Dependant Pension To Set Up	A number of staff were on annual leave in April and there has been a significant increase in post received by the team due to Pensions Increase. This has led to an increase in the time taken by Senior Pension Officers (SPO's) to pass work out to the Pension Officers (PO's) which has an effect on the SPO's time to authorise processes and also the time for the PO's who are dealing with these processes.	87.14
Estimates for Deferred Benefits into Payment	The Team are working their way through the older quotes that have been delayed as other retirement work had previously been prioritised. These are being dealt with in date order.	50%
Monthly Posting	The Finance Team have been working on the March year end returns which has delayed some of the April returns being processed within the target days.	93.62%
Pension Estimate	Two members of staff were on leave and another member of staff was on sick leave.	89.89%
Update Member Details	The Contact Centre are processing record maintenance forms in between phone calls. The number of calls received has increased due to the production of Annual Benefit Statements & Deferred Benefit Statements.	95.27%

2.0 Scheme Information

2.1 Membership numbers in the Lincolnshire Fund are as follows:

Numbers	Active	Deferred	Pensioner	Frozen	Undecided
LGPS	26,518	25,115	27,882	2,607	827
Percentage of Membership	31.97%	30.28%	33.61%	3.14%	1.00%
Change from last Quarter	-67	-342	+579	-100	+218



2.2 Age Profile of the Scheme

	Age Groups												
Status	U20	20 - 25	26 - 30	31-35	36 - 40	41-45	46 - 50	51-55	56 - 60	61-65	66 - 70	70 +	**Total**
Active	277	1716	2010	2444	3008	3301	3393	4254	3565	2038	418	94	**26,518**

3.0 Member and Employer Contact

3.1 Over the quarter April to June 2023 we received **2** online customer responses.

Over the quarter April to June 2023, **139** Lincolnshire member's sample survey letters were sent out and **18 (13%)** returned:

Overall Customer Satisfaction Score:

April to June 2022	July to September 2022	October to December 2022	January to March 2023	April to June 2023
80.2%	90.4%	81.3%	89.9%	88.9%

Appendix B – Customer Surveys

3.2 Employer Training

Over the quarter 1 April to 30 June 2023 we held the following webinars which were attended by employers across all four Funds that WYPF administer:

- Authorised contacts and your year-end responsibilities
- Completing your March return: steps to success
- Understanding CPP (pay for CARE pension)
- Understanding Final Pay
- Assumed Pensionable Pay

All previous webinars have been recorded and are available to employers on the employer website.

4.0 Internal Dispute Resolution Procedure (IDRP)

4.1 All occupational pension schemes are required to operate an IDRP. The LGPS has a 2-stage procedure. Stage 1 appeals, which relate to employer decisions or actions, are considered by a person specified by each employer to review decisions (the 'Adjudicator'). Stage 1 appeals relating to appeals against administering authority decisions or actions are considered by the Head of Pensions. Stage 2 appeals are considered by WYPF.

IDRPs for the period 1 April 2023 to 30 June 2023 are shown below -

<u>Stage 1 appeals against the fund</u>

There are currently no appeals outstanding.

Date appeal received	Reason for appeal	Current position / outcome	Date decision letter sent	Decision deadline
01/02/2023	Decision on death benefits and contacting	Appeal turned down on the basis that the correct procedure had been	22/03/2023	01/04/2023

	other potential beneficiaries.	followed in contacting other family members.		

Stage 1 appeals against scheme employers

There are currently no appeals outstanding.

Stage 2 appeals

There are no appeals currently outstanding.

Date appeal received	Reason for appeal	Current position / outcome	Date decision letter sent	Decision deadline
03/10/2022	Appeal against refusal for employer to award ill health pension.	Holding letters were sent to the member, 01/12/2022, 04/01/2023, 14/02/2023 & 21/03/2023 as further medical evidence was needed from the employer but was not being sent. Employer called on 04/04/2023 to confirm that their health care provider will not release any further medical information direct to us but the member can request it. The member called and does not wish us to consider any further medical evidence. The appeal has been turned down.	13/06/2023	02/12/2022
08/01/2023	Member appealing as he regards his pension calculation to be incorrect.	The appeal was turned down but £500 to be paid by WYPF for distress and inconvenience.	06/03/2023	07/03/2023
13/02/2023	Delays in providing quotation for payment.	Acknowledgement sent to member – 22/02/2023. The appeal has been turned down.	03/04/2023	12/04/2023

4.2 Pensions Ombudsman

There are currently two complaints outstanding.

Date complaint received	Reason for complaint	Current position	Outcome
14/03/2022	Member is unhappy that they did not receive unreduced pension benefits on ceasing employment.	A response was sent on 17/03/2022 opposing the allegations as it is the employer that determines the reason for leaving. The adjudicator at Stage 2 had carefully considered all the evidence provided and could not conclude from this that the employer had terminated the member’s employment by mutual consent on the grounds of business efficiency.	Awaiting a response back from The Pensions Ombudsman.
06/01/2023	Member is unhappy that the employer did not award ill health retirement on termination of their employment.	A response was sent on 27/01/2023 opposing the allegations as it is the employer who determines whether a member is entitled to ill health retirement.	Awaiting a response back from The Pensions Ombudsman.

5.0 Shared Service Update

5.1 Staffing

Finance – Applications for the Senior Finance Officer post has now closed and shortlisting for interviews has started. The applications for the Finance Officer post have now closed.

Service Centre – Applications for the Pension Officer posts has now closed and shortlisting for interviews will start soon. The new Member Services Manager started at the beginning of July.

Technical Team - There is one vacancy in the Technical Team for a Technical Advisor which is an additional post and this will be advertised shortly.

Employer Relations Team - There is one vacancy in the Employer Relations Team for a Pension Fund Representative which is an additional post within the Team. They are looking to recruit to this post soon.

5.2 Audits undertaken by Bradford Councils Internal Audit:

a) **Exiting Employers**

It is audit's opinion that the standard of control of identified risks in the system is **good.**

The audit review has determined that most of the risks examined were found to be effectively managed. The control environment is largely as expected but would benefit from some enhancement to support the achievement of key business objectives.

Internal Audit made two recommendations for improvement, and these have been implemented.

5.3 Shared Service Budget

WYPF SHARED SERVICE	22/23 FINAL £000	22/23 PER MBR	23/24 BDGT £000	23/24 ACT PD03 JUN £000	23/24 FRCST PD03 JUN £000	23/24 VAR BGT - PD03 £000	23/24 PER MBR PD3
Accommodation	189	£0.38	171	95	188	-17	£0.38
Actuary	0	£0.00	0	0	0	0	£0.00
CBMDC Support Services	261	£0.52	263	0	261	2	£0.52
Computer	750	£1.50	688	253	750	-62	£1.50
Contingency - Invest to save	0	£0.00	250	0	0	250	£0.00
Employees	4,430	£8.85	5,290	1,138	5,121	169	£10.23
Other Running Costs	250	£0.50	175	52	250	-75	£0.50
Printing & stationery	403	£0.80	346	107	404	-58	£0.81
Transaction Costs	0	£0.00	0	0	0	0	£0.00
WYPF Support Services	2,054	£4.10	2,304	0	2,346	-42	£4.69
WYPF SHARED SERVICE EXP	**8,337**	**£16.65**	**9,487**	**1,645**	**9,320**	**167**	**£18.62**
PER MBR sf3	**£0.00**						
PER MBR	**£16.65**		**£18.56**				**£0.06**
MBR NUMBER	**500,749**	**511,052**					**500,533**

Net underspend of £0.17m projected.

a. **Accommodation**
2023/24 net overspend of £0.02m.

b. **CBMDC support service cost** – very small underspend projected.

c. **Computer costs / IT** – very small overspend projected, however this will change as we start increase automation, move UPM from Oracle to SQL servers and script.

d. **Invest to save** - There is a £0.25m provision not being used, this may be called upon as we see increased regulations and also the need to address a number of government and regulatory proposals in investment management and pension administration projects.

e. **Employees** – there is a £0.17m underspend in pension admin.

f. **Other running costs** overspend of £0.08m, mainly on cost of performance measurement, planned reduction in discount received from NT for financial asset custody.

g. **Printing and stationery** overspend of £0.06m, increased printed communications for new shared service partners' members. We expect this forecast to go down – direct savings from increased uptake of digital services.

h. **WYPF support services** Overspend of £0.04m, due to technical support in IT for Pension Admin

Lincolnshire LGPS	MBR NO MAR23	2022/23 REVISED BUDGET	2022/23 ACTUAL	VAR BDGT-ACT PD12	2023/24 COST PER MBR	2023/24 BUDGET	MBR NO MAR23	2023/24 COST PER MBR PD13	2023/24 FORECAST PD1
CHARGE ACTUAL / FORECAST	82,776	**-£1,378,752**	**1,541,305.68**	**- £2,920,058**	18.62	**£1,542,945**	82,776	£18.62	**£1,541,306**

Lincolnshire LGPS	MBR NO ESTIMATE MAR24	EST CST PR MBR 24/25	EST 2024/25
CHARGE ACTUAL / FORECAST	79,483	**£18.52**	**£1,471,810**

5.4 Shared Service Risk Register

Over the last 12 months as part of the collaboration of Shared Service Partners, a Risk Register has been produced. This considers the shared risks faced by all in the delivery of the Local Government Pension Scheme administration.

The Risk Register will be reviewed at the next Shared Service meeting in September 2023.

Appendix C – Shared Service Risk Register

5.5 Policy Changes

The policy changes for the period 1 April 2023 to 30 June 2023 are –

McCloud Remedy

- As part of the McCloud project to ensure member's records are correct with part time hours, service breaks and final salary data, we requested employers' complete data spreadsheets and return them back to WYPF.

- Few employers across the Shared Partnership returned spreadsheets despite numerous reminders. Agreement, therefore, was reached by all Partners to use the current data on member records as correct as this had previously already been validated. Furthermore, WYPF has continued to update part time hours, service breaks and final salary data as per the 2008 scheme regulations, even though they are not required in the 2014 CARE scheme.
- For the removal of age discrimination from the LGPS, calculating and paying benefits from the 2008 scheme between 1 April 2014 and 31 March 2022 requires the records to hold part time hours, service breaks and final salary data.

Shared Service Refresh

- A decision has been made to refresh the Shared Service Agreement we use at WYPF when we take on new Local Government Clients. This will ensure it is a joint agreement that is fit for purpose and importantly future proofed. A meeting has been arranged in September to discuss this with all Shared Service Partners.

ISP Provider

- WYPF have recently awarded Bravura to be the 3rd Party Integrated Service Provider (ISP) so we can meet the requirements of the Pensions Dashboard Programme.

5.6 Annual Benefit Statements (ABS) & Deferred Benefit Statements (DBS)

Statements have been issued electronically through the secure ‘MyPension’ portal. By the statutory deadline of 31 August 2023, the number of ABS produced was 99% of those members eligible to receive a statement and the number of DBS produced was 100%.

Those members that have opted out of receiving online communications have been sent a paper copy of their statement.

6.0 Regulatory Update

a) Superannuation Contribution Adjusted for Past Experience (SCAPE) discount rate and impact on actuarial factors

Further to the e-mail received on 1 June 2023 containing some but not all the revised factors, WYPF have now received e-mails on 3 July & 28 July 2023 advising that a second & third batch of actuarial factors have been cleared for use. The revised factors have now been loaded onto our system and we have started to process the transfer cases we have had to hold back.

The early retirement factors have also been revised and the new factors came into force from 3 July 2023. The factors are applied to a members’ benefits if they take their pension before Normal Retirement Date (NRD). Anyone with an early retirement date after 3 July 2023 will have the new factors applied. The new factors are lower than the ones in force before 3 July 2023. Any early retirement benefits already quoted will be increased because of the change.

WYPF have updated the website to reflect the new early retirement factors.

Appendix D – Regulatory Update

7.0 Web Registrations

The number of members registered for online member web are:

Status	January to March 23	% of membership	April to June 23	% of membership
Active	11,852	44.58%	12,854	47.46%
Deferred	8,484	32.28%	9,213	36.68%
Pensioner	11,910	43.62%	12,572	45.09%

Conclusion

WYPF and LPF continue to work closely as shared service partners to provide an efficient and effective service to all stakeholders within the Lincolnshire Pension Fund.

Appendices

These are listed below and attached at the back of the report	
Appendix A	KPI Table
Appendix B	Customer Surveys
Appendix C	Shared Service Risk Register
Appendix D	Regulatory Update

Consultation

a) Risks and Impact Analysis

Lincolnshire Pension Fund also has a risk register which can be obtained by contacting the Head of Pensions.

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Matt Mott, who can be contacted at matt.mott@wypf.org.uk

Appendix A

KPI's for the period 01.04.23 to 30.06.23							
WORKTYPE	TOTAL CASES	TARGET DAYS FOR EACH CASE	TARGET MET CASES	MINIMUM TARGET PERCENT	TARGET MET PERCENT	AVERAGE TIME TAKEN	DIRECTION OF TRAVEL
Age 55 Increase to Pension	2	20	2	85	100	9.5	←
AVC In-house (General)	50	20	50	85	100	1.92	←
Change of Address	189	20	189	85	100	1.77	←
Change of Bank Details	74	20	74	85	100	3.26	←
Death Grant to Set Up	26	10	24	85	92.31	21.15	↓
Death In Retirement	176	10	155	85	88.07	7.53	↑
Death In Service	3	10	3	85	100	7	↑
Death on Deferred	11	10	8	85	72.73	22.27	↓
Deferred Benefits Into Payment Actual	257	10	247	90	96.11	4.35	↓
Deferred Benefits Into Payment Quote	374	35	223	85	59.63	37.51	↑
Deferred Benefits Set Up on Leaving	523	20	347	85	66.35	64.63	↓
Dependant Pension To Set Up	70	5	61	90	87.14	4.64	↓
Divorce Quote	18	40	18	85	100	13.83	←
Estimates for Deferred Benefits into Payment	4	10	2	90	50	12.75	↓
General Payroll Changes	148	20	147	85	99.32	1.91	↓
Initial letter Death in Retirement	176	10	167	85	94.89	2.43	↓

Initial Letter Death in Service	3	10	3	85	100	1	⇦
Initial letter Death on Deferred	11	10	11	85	100	1.09	⇧
Interfund Linking In Actual	38	35	17	85	44.74	92.89	⇩
Interfund Linking In Quote	86	35	77	85	89.54	26.99	⇩
Interfund Out Actual	41	35	39	85	95.12	13.46	⇩
Interfund Out Quote	41	35	39	85	95.12	11.44	⇩
Life Certificate	103	10	89	85	86.41	4.76	⇩
Monthly Posting	893	10	836	95	93.62	5.38	⇧
NI adjustment to Pension at State Pension Age	8	20	8	85	100	17.63	⇦
Pension Estimate	89	10	80	90	89.89	8.06	⇩
Pension Saving Statement	1	20	1	100	100	1	
Phone Call Received	868	3	841	95	96.89	1.32	⇧
Refund Actual	173	10	173	90	100	2.51	⇧
Refund Quote	303	35	286	85	94.39	10.7	⇧
Retirement Actual	153	10	144	90	94.12	4.42	⇩
Transfer In Actual	17	35	16	85	94.12	33.82	⇧
Transfer In Quote	33	35	32	85	96.97	12.03	⇩
Transfer Out Payment	23	35	23	85	100	12.57	⇦
Transfer Out Quote	52	35	49	85	94.23	15.35	⇧
Update Member Details	1268	20	1208	100	95.27	5.99	⇩

Appendix B

Customer Survey Results - Lincolnshire Members
(1st April to 30th June 2023)

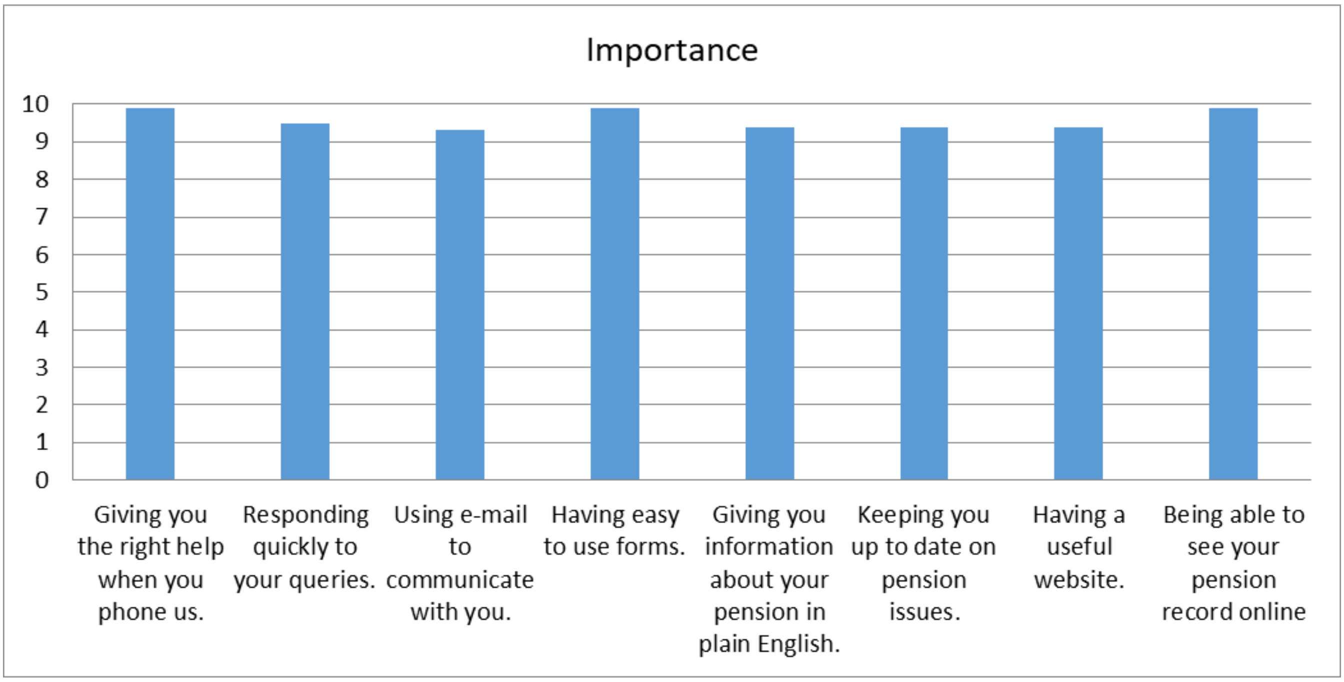
Over the quarter April to June we received **2** online customer responses.

Over the quarter April to June **139** Lincolnshire member's sample survey letters were sent out and **18 (13%)** returned:

Overall Customer Satisfaction Score;

April to June 2022	July to September 2022	October to December 2022	January to March 2023	April to June 2023
80.2%	90.4%	81.3%	89.9%	88.9%

The charts below give a picture of the customers overall views about our services;



Sample of positive comments:

Member Number	Comments
8139179	Good service, helpful staff and useful website. Easier access to see actual pension.
8149087	I was very satisfied with the service I received. The transition of my pension fund was made smooth and quickly
8151025	The information I have received so far is very helpful. I have been impressed by how swiftly the pension department dealt with changes in my job specification.
8060032 (online)	Easy to use pension website. Easy to use website, made one telephone call and got a pleasant and helpful person who answered my questions.

Complaints/Suggestions:

Member Number	Comments	Summary of Acknowledgement Letter Sent to Member
8133891	Crap. To transfer a pension should not take 8 months.	Member was unhappy at length of time taken to transfer out preserved refund. Returned leaver option form 13/09/2022 - CETV provided 24/11/2022 within 12 weeks Transfer pack returned 01/03/2023 Delay in querying information provided - request sent to Aviva 18/04/2023 Various chasers for information - finally received all information from Aviva 24/05/2023 - transfer paid 30/05/2023 Apologised for delay following receipt of transfer pack.
8145411 (online)	I received a letter on the 20th March 2023 stating that my refund will be with me in the next few working days, it's nearly been a month and I'm still waiting for my refund to come in my bank.	We paid a refund to this member bit he gave us the wrong bank details. When the money was returned from the bank we then contacted the member (4 August) to say it had been returned then he gave us the correct bank details to pay the refund. He was aware what was happening because he completed the questionnaire on the 17 August.

Appendix C

West Yorkshire Pension Fund | Lincolnshire Pension Fund | London Borough of Hounslow | BARNET LONDON BOROUGH

The Pension Administration Shared Service Risk Register

Introduction

As part of the continued collaboration between members of the Shared Service, London Borough of Barnet Pension Fund, London Borough of Hounslow Pension Fund, Lincolnshire Pension Fund and West Yorkshire Pension Fund (WYPF), this Risk Management Plan establishes the process for implementing proactive risk management as part of the overall management of the Pensions Shared Service. The purpose of risk management is to identify potential problems before they occur, so that risk handling activities may be planned and invoked as needed to mitigate adverse impacts on achieving objectives. Risk management is a continuous, forward looking process that addresses issues that could endanger the achievement of critical objectives and includes the early risk identification through the collaboration and involvement of relevant stakeholders.

The Shared Service has initially identified 13 risks which have been rated and plotted on a matrix and a risk tolerance line agreed to prioritise the risks. The risk matrix measures each risk for its likelihood and impact in terms of its potential for affecting the ability of the Shared Service to achieve its objectives.

Summary of Risks – May 2023

Risk Identification	Risk Number	Risk Name	Risk Rating
Shared Service Partners	1.	WYPF increases shared service membership	C 2
	2.	SLA not met and partner policies not maintained	D 2
	3.	Failure of Shared Service partners to consult or communicate over decisions that affect the service	D 2
Technical	4.	Failure to meet scheme regulation & pension legislation	D 2
	5.	Incorrect data/information or data/information not provided	C 2
	6.	Failure to communicate with scheme members, including disclosure regulations	D 2
	7.	Fraudulent activity by Shared Service staff, employers & scheme members	E 1
Service Delivery	8.	Funds leave Shared Service	D 2
	9.	High or increased volumes of work & legacy backlogs	B 2
Policies	10.	Pandemic, Epidemic & “Acts of God”	A 3
	11.	Software Failure	E 1
	12.	Failure of Cyber security	D 2
	13.	Failure to plan for or implement a Disaster Recovery plan	E 1

The process

Risk identification

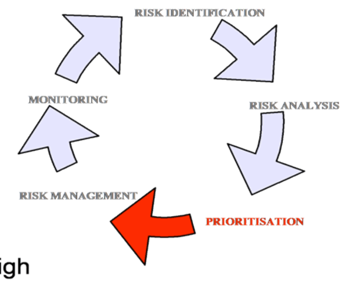
The first stage of the risk management cycle requires risk identification. This has been achieved through discussion with Key personnel at each of the Pension Funds within the Shared Service.

Risk analysis, profile and tolerance

The risks are assessed for impact and likelihood and plotted onto a matrix. The impact is measured as being negligible, marginal, critical or catastrophic. The likelihood is measured as being almost impossible, very low, low, significant, high or very high.

To determine the appetite to risk, each of the squares on the matrix are considered to decide if the Shared Service is prepared to live with a risk in that box or if it needs to be actively managed. This determines a theoretical tolerance line. Those risks above the line requiring further scrutiny and those below the line having sufficient control in place. The tolerance line is agreed at risks with a low or greater likelihood and a critical impact.

Initially 13 risks have been identified and framed into scenarios. The risks identified have been rated. The results are shown on the following risk profile and in summary on page one. These risks will be regularly assessed as part of a review process.



Likelihood	IV	III	II	I
A		10		
B			9	
C		1	1, 5	
D			2, 3, 4, 6, 8, 12	
E				7, 11, 13
F				

Impact

Likelihood:

A	Very high
B	High
C	Significant
D	Low
E	Very low
F	Almost impossible

Impact:

I	Catastrophic
II	Critical
III	Marginal
IV	Negligible

Risk management and monitoring

Management Action Plans (MAPs) frame the risk management actions that are required. They map out the target for each risk i.e. to reduce the likelihood, impact or both. They also include targets and critical success factors to allow the risk management action to be monitored.

The risk assessment identified that significant levels of activity are required to manage the risks. Key risks may periodically require attention and it is important that having identified risks that could have critical impact, that the when required appropriate action is undertaken. MAP's, therefore, may be agreed for any risks identified above the tolerance line.

Shared Service Risks

Risk	Rating	Risk Description & Controls in Place	Adequacy of Action and control	Required Management Action	Responsibility for Action	Critical Success Factors & KPIs	Review Frequency	Key Dates	Opportunity
1.	**C 2**	WYPF tender for further administration clients. Periodically WYPF may be asked to tender for new business. In doing so capability and resource will be reviewed to deliver the shared service to the required standard and communicated to the Shared Service.	Ensure resources maintained for existing shared service members and capability demonstrated for the additional contractual obligations	WYPF to maintain KPI & SLA standards and cost to existing Shared Service members remain value for money. Regular communication to Shared Service	WYPF to be open and transparent in communications and actions	Shared Service does not receive down turn in performance. Shared Service costs remain value for money	Quarterly	1 Dec 2023	To increase knowledge and skills within Shared Service Or opportunity to hone exiting talent
2.	**D 2**	Failure to maintain SLA standards Policies written and shared with all stakeholders by all Shared Service partners Regular reporting and KPIs produced and discussed at regular meetings to determine if all parties meet the required standard.	Reporting to be provided monthly. To include work volumes, data transfer, accuracy, protection and KPI. Shared Service meetings held every 6 weeks and Collaboration Board meetings held quarterly at which key information relating to the administration	Review and improve areas of concern. May include communications with employers and training for staff Policies to be reviewed and updated by shared service partners	WYPF for reporting. All parties to review their part of the processes and deliver minimum expected standards	maintain SLA standards. Satisfactory reporting, meet KPIs with no data or training issues required.	Monthly reporting and Quarterly review	1 Dec 2023	Opportunity to understand current outputs and to review and train where appropriate.

			of the Scheme(s) is provided. Ad hoc meetings can also be arranged for urgent items If standards not achieved reviews and amendments to service and processes may be required						
3.	**D 2**	Failure of shared service partners to consult with each other over decisions that affect delivery of the service. Failure of Shared Service partners to communicate policy/decisions and to provide adequate and timely information to them	Shared Service meetings held every 6 weeks and Collaboration Board meetings held quarterly at which key information relating to the administration of the Scheme(s) is provided. Ad hoc meetings can also be arranged by any partner for urgent items	Review and share all policies. Communicate between partners and all employers.	Partners in agreement with or understand policy decisions	Satisfied partners full and efficient shared service	monthly	1 Dec 2023	Opportunity to build relationship , joined up thinking and work seamlessly as one service
4.	**D 2**	Failure to meet LGPS regulation & overriding legislation. Including implementation of regulation amendments, such as McCloud, and requirements of the Pension Regulator's (TPR) code of practice and compliance with DPA18 (GDPR) leading to incorrect benefits values and complaints	WYPF must liaise with authority bodies such as LGA, TPR, HMRC & DLUHC. Keep knowledge up to date through various sources such as training plans, working instructions, workflow processes, Team Briefs, internal and external training courses and events Ensure software updated and maintained Communicate & discuss with shared service partners	Attend webinars, seminars, conference. Work with software provider Communicate with members and employers	All Shared Service	Understandin g, communicati on and implementati on of statutory requirements Benefit values correct and no justifiable complaints	Monthly	1 Dec 2023	Opportunity to improve knowledge and process to deliver our statutory obligation
5.	**C 2**	Incorrect data/information	WYPF unable to complete	WYPF to inform Shared Service.	If data not received	Shared Service and	Monthly	1 Dec 2023	To improve data accuracy

		or data/information not provided from any shared service partner or stakeholder or not provided in a timely manner. Leading to incorrect benefit values or the inability to process benefits at all and low TPR data scores. Data required by 19th of following month and WYPF have processes to communicate and chase stakeholders for information.	processes. Time, effort and cost requesting and chasing data by WYPF. Data sometimes not received at all, WYPF unaware of work to process, complaints from scheme members	Liaise with employers assist/train. Shared Service to support WYPF in this delivery even in the event of employer charge. Develop & implement automated processes. Review and where applicable amend existing processes	following communication /chasing and or training shared service members to liaise with employers	WYPF support each other, communications clear and employers understand their responsibility and liability.			and reduce work required to collect data. Leading to better processes and improved KPIs Develop and introduce automation
6.	**D 2**	Failure to communicate all necessary and required information to scheme members including documents, website, emails and scheme guides Providing information under disclosure regulations mandatory Failure to provide may cause misunderstanding and poor scheme member decision making. This may lead to complaint, investigation and sanction & loss of reputation	Officers keep up to date with disclosure regulations and distribute knowledge to teams accordingly via working instructions, changes to workflow processes, Team Brief or emails. Information of regulation to be understood by Shared Service and communicated to all stakeholders. Website, documents and scheme guides reviewed regularly	Information always provide and accurate. Agreed support from Shared Service	WYPF supported by Shared Service	Information accurate and no complaints	Quarterly	1 Dec 2023	To ensure scheme information is compliant
7.	**E 1**	Fraudulent activity by Shared Service staff, employers & scheme members Causing overpayment of benefits, complaints, investigation, litigation, action and loss of reputation	Segregation of duties set out clear roles and responsibilities National Fraud Initiative participation and Internal audit of pensions. Implementation of amended	Up to date and regular training of staff. Shared service share information and employers communicated too and updated with current knowledge. Appropriate information to members and	All stake owners must be aware of fraud/scamming issues	Accurate information, timely communication. No Fraud and no complaints	Quarterly	1 Dec 2023	To ensure scheme information is compliant

			transfer regulations wef 30 November 2021	information on website					
8.	**D 2**	Risk Funds become dissatisfied and elect to leave the Shared Service partnership Creating additional work and need for resource to manage exit. Cost of Shared Service now spread across remaining members but may not provide good value for the level of service delivered."	Shared Service meetings held every 6 weeks and Collaboration Board meetings held quarterly at which key information relating to the administration of the Scheme(s) is provided. If an exit, ensure resources maintained for existing shared service partners, costs are maintained and do not increase for remaining partners if there is an exit	To ensure there is not any dissatisfaction resulting in in partner leaving the shared service	WYPF and then all partners. Resource adequate for exit and remaining partners. SLA, KPIs and costs reviewed, communicated and if necessary redistributed	Members do not leave or if leave no detrimental effect to remaining Funds	Quarterly	1 Dec 2023	Opportunity to deliver a successful service together or consolidate Shared Service membership to maintain standards upon an exit
9.	**B 2**	High or increased volumes of work & legacy backlogs WYPF unable to provide adequate resource to process daily work or reduce legacy backlogs. Performance declines, statutory deadlines missed, backlogs created/increased , complaints received. Monthly reporting necessary to identify potential issues and shared service partners to communicate early any variant to work, including indications from employers.	Monthly reports to Shared Service monitoring changes to volumes and KPIs Review of resource, training and recruitment. Systems and processes reviewed and aligned with KPI reporting to continue to deliver SLA standards	Review all KPIs. Rolling recruitment programme to fill vacancies and train staff when appropriate Develop software and processes to deliver smarter service Develop and implement automation to increase productivity and free resource to applied to critical areas such as backlogs Employer reminded/trained regarding responsibility and good data. Encouraged to inform WYPF asap of variants in workloads. Approach supported by Shared Service	WYPF to review, report and communicate. Employer to provide accurate information in timely manner Supported by Shared Service partners	Legacy backlogs reduced, all current workload handled efficiently, Automation implemented in key areas KPI reporting consistent and accurate. Member experience maintained/i mproved	Monthly	1 Dec 2023	Opportunity to ensure resource is sufficient, improve processes and provision of software and introduce automation.
10.	**A 3**	Failure to meet statutory obligations due to	Ensure staff, colleagues and peers are well	Alternative working arrangements, including	WYPF & all Shared Service	Stakeholder ability to be flexible in	Monthly	1 Dec 2023	Learn/contin ue to work in

		pandemic, epidemic and "acts of god" staff unable to travel and or are ill. Increased volumes of work and backlogs. Failure to meet statutory obligations that has potential to create new working environments and challenges in delivery of scheme administration	and able to work. Review all process and consider system development for automation. Concentrate on key areas as identified by TPR, SAB & LGA so that pensioners are paid and the most at risk treated as priority	communication, WFH and virtual meetings and training. Develop and implement automation processes		working arrangements , including DR and ability to effectively work remotely.			a different way. Develop new ways of processing and increase automation
11.	**E 1**	Failure of Software. Affecting data of scheme member records, benefits values and payments. Failure to meet statutory obligations Contractual obligations with software provider to run daily backups and restore system usage with SLA standards	Software backed up daily. DR to include contractual obligation of software provider. Staffed adequately trained and supported to perform manual calculations for most urgent processes. Current pensioners paid by rerun of last month payments.	Laisse with IT departments and software providers. Ensure all staff have knowledge and capability for short term workarounds. Consider alternative ways of data transfer (protected email, messages etc.) to enable employers to provide data to WYPF and WYPF to provide data to employers and scheme members.	All stakeholders	Continuity/reliability of software. Accurate data, automation and development. Ability to continue to meet statutory obligations and no justifiable complaints .	Monthly	1 Dec 2023	Opportunity to ensure software is best in class. Ensure staff have appropriate knowledge and skills to deliver manually.
12.	**D 2**	Failure of Cyber security. Failure to protect data and scheme members from scammers. Data breaches by staff and shared service results in member loss, complaint, sanction and loss of reputation. Mandatory Cyber security training require of all staff, cyber security standards as part of software providers contract.	Ensure data received, sent and stored is protected, transferred and stored in compliance with DPA18 and is supported by AA IT and software provider	IT provide necessary industry protections including system daily backups and staff educated in cyber security issues Data protection retention policies & privacy notices to be shared between all stakeholders and retained by WYPF	All stakeholders to review IT and data protection provision, train staff and review	Fully trained staff. No cyber or data breaches	Daily, Monthly, Yearly	1 Dec 2023	To ensure new ways of working (WFH) are as secure, reliable, efficient and safe as office based cyber security. Staff awareness periodically updated. Data policies and stamen shared by between all data processors.

13.	**E 1**	Failure to plan for or implement a Disaster Recovery plan. As part of WYPF business plan there should be an appropriate and effective disaster recovery (DR) plan to ensure statutory obligations are met in the event of a disaster, building fire, cyber-attack etc. All members of the Shared Service should also have a comparable DR. This would ensure all partied are aware of how they will continue to fulfil their statutory obligations in the event of a disaster and how each member should interact with the other in view of such an event.	The DR plan should clearly demonstrate how the business will continue to function. All DR plans should be shared between the shared service members and employers.	Ensure DR plans exist and are accessible. To test DR by taking down and restoring all systems. Ask employers if they have plans too and request a copy	Shared Service and then all other stakeholders	Ability to function, communicate and meet statutory obligations in the event of a disaster.	Annually	1 Dec 2023	Opportunity to assist all stakeholders and to deliver a joined up service in the event of a disaster.

Future review and revision of risks

It is important that this work is monitored and measured and that management action plans are reassessed regularly to ensure that progress is being made and the targets can be met. In addition, each risk should be owned where possible by one or all members of the Shared Service partners to ensure that there is high level support, understanding and monitoring of the work that is required as part of the plans.

The Shared Service partners have agreed that the risk register will be added as a standing item to the Shared Service 6 weekly meetings and the timescale for re-visiting these risks in order to assess if they are still relevant and to identify new scenarios should be at the quarterly Collaboration Board.

for you, for now, for the future
lgps

Matt Mott

May 2023

Regulatory Update

Department for Levelling Up, Housing and Communities (DLUHC)

Government responds to McCloud consultation

On 6 April 2023, the Department for Levelling Up, Communities and Housing (DLUHC) published their response to the consultation on amendments to the underpin.

The consultation proposed changes to the underpin to address the discrimination found in the McCloud judgment and to ensure that it works effectively and consistently for all qualifying members. The consultation ended on 8 October 2020.

Alongside the response, in collaboration with the Scheme Advisory Board, DLUHC published a factsheet summarising the remedy for members . We have added a link to the factsheet on the McCloud FAQs page of www.lgpsmember.org.

DLUHC expects to launch a further consultation this spring. The consultation will seek views on:

• issues that, because of the consultation responses, they have not yet made a final decision on (such as aggregation and flexible retirement),

• issues not included in the original consultation (such as compensation, interest and excess teacher service), and

• updated draft regulations.

DLUHC will finalise the regulations after considering the responses to the further consultation. These will come into force on 1 October 2023, with backdated effect to 1 April 2014.

You can access the consultation documents on the Scheme consultations page of www.lgpsregs.org.

DWP

Expansion of auto enrolment

On 3 March 2023, the Department for Work and Pensions (DWP) issued a press release confirming it will support the private members bill expanding auto enrolment. The Pensions (Extension of Automatic Enrolment) (No.2) Bill 2023 proposes to give Government regulatory powers to:

• abolish the Lower Earnings Limit for contributions – currently £6,250, and

• reduce the age of auto enrolment for eligible jobholders from 22 to 18.

Government has not given a timetable for when they intend to use these new powers.

HMRC

On 27 March 2023, HMRC published a Lifetime allowance guidance newsletter. The newsletter provides further information on:

• PCLSs and LTA protections, including examples

• how to pay and report lump sums that would have incurred an LTA charge that are now taxable as pension income

• the opportunity to join an LTA working group.

The examples in the newsletter do not refer to individual protection because there is no change in how it operates. Individual protection is not lost if a member continues to build up pension savings. The member is allowed to take a PCLS up to 25 per cent of their protected LTA.

SCAPE discount rate and impact on actuarial factors

On 30 March 2023, Lorraine Bennett emailed administering authorities in England and Wales letting them know the superannuation contributions adjusted for past experience (SCAPE) discount rate reduced on 30 March 2023 to the consumer price index (CPI) plus 1.7 per cent. This is a change from CPI plus 2.4 per cent. This was announced in a written ministerial statement by the Chief Secretary to the Treasury.

Impact to actuarial factors

The reduced SCAPE discount rate is effective from 30 March 2023. DLUHC and SPPA have confirmed the following calculations should be immediately suspended until new factors are issued:

• certain non-club transfers and interfund / intrafund calculations

• certain non-club cash transfer sums

• all cash equivalent values (C E V) for divorce.

SCAPE tables for England & Wales, setting out the transitional arrangements in detail, accompanies this bulletin. We have updated the table to include cash transfers sums and contribution refunds.

We understand DLUHC and SPPA will issue new transfer factors in April / May. They have also confirmed the remainder of the Scheme's actuarial factors will be amended in due course. Their intention is to introduce revised factors over a four-month period starting in April 2023.

We recommend administering authorities:

• communicate the impending changes to actuarial factors to members, when providing retirement quotations with an effective date on or after 1 April 2023

• notify the court where they have provided a CEV for divorce purposes but a pension sharing order has not yet been made. This will allow for the change in the CEV to be taken account in the financial settlement.

Action for administering authorities - Make sure processes and communications are in line with the changes.

Scheme Advisory Board (SAB)

Pension Dashboards

Pensions dashboards ('dashboards')

Latest news

In May 2023, PDP published their Progress update report on dashboards. There are articles on:

• the Department for Work & Pensions (D W P's) written ministerial statement on pensions dashboards connection times confirming that there will be an update before parliamentary recess in July

• programme reset following the written ministerial statement – reset got underway on 20 March and more information will be available before parliamentary recess in July

• consent comprehension research - a research into users' understanding of how their data will be used during the dashboards journey

• preparing for dashboards – connection, data, matching, awareness and understanding legal and regulatory obligations

• updates from D W P, the Financial Conduct Authority and the Pensions Regulator

• useful resources

• subscribing to PDP's newsletter

TPR Dashboards compliance and enforcement consultation

On 14 February 2023, we responded to the Pensions Regulator's (TPR) dashboards compliance and enforcement consultation. Our response can be found on the:

• Non-scheme consultations page of www.lgpsregs.org

See bulletin 231 for more information about the consultation

PDP publishes consumer protection video

The Pensions Dashboards Programme (PDP) recently published an explainer video on consumer protection. The video explains what protections will be in place to ensure dashboards are safe and secure.

Please see the consumer protection page of PDP's website for more information on this topic.

SAB

Code of transparency roadshows

The SAB is running a series of free, in person training sessions on investment cost transparency. The training is aimed at local pension board and committee members, as well as administering authority officers. Session dates and locations are listed below. Click on the location for a link to the booking page on the LGA's website.

21 June London

11 July Manchester

20 July Bristol

12 Sept Wolverhampton

13 Sept Leeds

26 Sept Cardiff

The sessions will provide:

• an explanation of the purpose and background of SAB's ground-breaking code of transparency

• a case study from an L G P S fund on how investment cost information has been used

• a troubleshooting session on how to use the online reporting system – for officers only

• a facilitated discussion on the information that fund officers should be receiving and how this information should be reported to pension boards and committees – for officers only.

If you are asked for a purchase order number when you book, please use SAB 2023

McCloud remedy consultation

On 30 May 2023, DLUHC published a consultation and draft regulations concerning the McCloud remedy. The consultation closes on 30 June 2023.

The consultation seeks views on proposals to address discrimination found by the courts in the McCloud case. This follows the Government's response published in April 2023. See bulletin 237 for more information.

DLUHC is consulting on new approaches in certain areas that reflect responses to the 2020 consultation and more closely align the L G P S to policies adopted by other public service pension schemes. DLUHC is seeking views on the following proposals:

• No aggregation requirement: underpin protection will extend to a new pension account that started before 1 April 2022, even if the earlier period of membership is not aggregated, as long as there has not been a disqualifying break.

• Previous membership of another public service pension scheme on or before 31 March 2012: a member will qualify for underpin protection because of earlier membership of another public service pension scheme, even if the pension rights from the other scheme have not been transferred to the LGPS, as long as there has not been a disqualifying break.

• Flexible retirement: a member with underpin protection who takes flexible retirement before 1 April 2022 will also have underpin protection on any benefits built up after flexible retirement and before the end of the underpin period. The consultation also considers how the underpin will operate when a member takes partial flexible retirement.

The consultation covers topics that were not included in the 2020 consultation.

These include:

• policies for individuals with excess teacher service - see Bulletin 229 for background information on this group

• when a member may be paid compensation if they have suffered a loss relating to the discrimination found in the McCloud case or the McCloud remedy

• the interest terms that will apply when payments are made late due to the McCloud discrimination.

We will respond to the consultation in due course and let you know we have done so. You can access the consultation documents on the Scheme consultations page of www.lgpsregs.org

Action: WYPF are reviewing the consultation documents and will respond by 30 June 2023.

Training

Annual governance conference 2024

Our annual governance conference retains its popular lunchtime to lunchtime schedule. It will take place on Thursday 18 and Friday 19 January 2024 at the Principal Hotel in York. We are finalising the programme and securing speakers. Booking will open in July 2023.

If you would like to be notified when bookings open or if you have any questions about the conference, please email elaine.english@local.gov.uk

Fundamentals training 2023

Our Fundamentals training for 2023 is now open for booking.

Fundamentals is a three-day training course predominately aimed at elected members and others who attend pension committees and local pension boards. Past delegates have also included trade union and employer representatives, and officers who support committees and boards. The course provides a scheme overview and covers current issues in relation to administration, investments and governance of the L G P S. All sessions are delivered by experts in their field. See the course programme for full details – the timings shown only apply to the in person sessions.

We are running the in person training in two locations - London and Manchester, and online.

We have listened to feedback and will be delivering each day of the online sessions over two days. You only need to complete one booking per day – this will automatically book you on both of the half days. It is not possible to book for a half day. The online sessions will be delivered using Zoom.

Attending all three days will help delegates meet the relevant requirement for knowledge, skills and understanding either required in statute or encouraged by relevant guidance.

Cost

In person - £280 plus VAT per session. The price is inclusive of lunch and refreshments.

Online - £240 plus VAT per session.

We recommend early booking as places are limited. You can book online through the LGA events page. We are unable to take manual bookings. Please find links to the individual sessions below. Day one

- 5 October – Manchester, Piccadilly Hotel
- 12 October – Westminster, LGA offices
- 19/26 October – online. Day two
- 2 November - Westminster, LGA offices
- 8 November - Manchester, Piccadilly Hotel
- 16/23 November – online. Day three
- 5 December - Westminster, LGA offices
- 13 December - Manchester, Piccadilly Hotel
- 11/19 December – online.

Open Report on behalf of Andrew Crookham, Deputy Chief Executive & Executive Director - Resources

Report to:	**LGPS Local Pension Board**
Date:	**9 November 2023**
Subject:	**Temporary bank accounts**

Summary:

This report updates the Board on the number of temporary bank accounts created by West Yorkshire Pension Fund (WYPF) to hold monies due to beneficiaries of the scheme.

Matt Mott, Head of Governance and Business Development from WYPF, will update the Board.

Recommendation(s):

That the Board discuss the report and consider whether they wish to take any further actions.

1.0 Background

1.1 For a number of years, WYPF have set up a number of temporary bank accounts with HSBC for deferred or pensioner beneficiaries who are entitled to a pension scheme benefit but for whom we have lost contact with or who will not claim their benefits.

1.2 Under the current scheme rules members who are entitled to a refund are required to claim the refund within 5 years of leaving. WYPF has a number of members who have not claimed the refund within the 5-year period. As a result, temporary deposit accounts have been set up for these members. Late claims will then be released from the account and paid to the claimant.

1.3 The payment into a temporary bank account means that the Fund has discharged its liability and the member is not faced with an unauthorised tax charge if they were to claim their benefits late.

1.4 The Pensions Board have asked for information on the number of temporary accounts held and the amount of money held in these accounts.

2.0 Lost Contact Pensioners/Beneficiary

STG1 – Pensioner/Beneficiary

Currently Opened

No. of Deposit Currently Opened	**26**
Total Credits	**£41,058.43**

Opened Accounts

2023/24	**4**
2022/23	**12**
2021/22	**3**
2020/21	**17**
2019/20	**27**
2018/19	**34**
2017/18	**66**
2016/17	**11**
2015/16	**4**

Closed Accounts

2023/24	**0**
2022/23	**37**
2021/22	**5**
2020/21	**15**
2019/20	**42**
2018/19	**22**
2017/18	**27**
2016/17	**4**
2015/16	**0**

2.1 The number of temporary deposit accounts held for this category of members has increased from 23 to 26 which was reported at the last Pensions Board.

Total number: 26

Current amount held in accounts: £41,058.43

This is an increase on the number of accounts previously held as we have lost contact with some beneficiaries.

2.2 A detailed breakdown of the number of accounts opened and closed is shown at Appendix A.

3.0 Post 2014 Refunds

STG2 – Post 14 Refunds

Currently Opened

No. of Deposit Currently Opened	
598	
Total Credits	**£91,432.85**

Opened Accounts

2023/24	**42**
2022/23	**203**
2021/22	**199**
2020/21	**169**
2019/20	**131**

Closed Accounts

2023/24	**11**
2022/23	**46**
2021/22	**27**
2020/21	**48**
2019/20	**14**

3.1 The number of temporary deposit accounts held for this category of members has increased from 526 to 598:

Total number: 598

Current amount held in accounts: £91,432.85

This is an increase from the amount previously held of £79,912.30

3.2 This is an increase of 72 reported at the last Pensions Board, as expected as more and more members come up to their five-year deadline. However, the National Technical Group has contacted the Scheme Advisory Board to request a change in the LGPS Regulations 2013 to remove the requirement for a refund to be paid within five years. A response is still awaited.

3.3 A breakdown of the number of accounts opened and closed this year is shown at Appendix B.

4.0 Members not claiming benefits

4.1 A number of temporary bank accounts relate to members not claiming their benefits for reasons unknown. This could be because any pension may impact on DWP benefits they may be claiming; the pension is too small or they do not believe the pension is genuine.

4.2 The Pensioner Services Team have recently contacted all the beneficiaries who have a deposit account either by phone, e-mail or text and this has resulted in some of the deposit accounts being closed and the pensions put into payment.

5.0 Tracing

5.1 At least on an annual basis WYPF review the bank accounts and carry out further traces to see if the member can be located. This can be through the National Fraud Initiative, using a tracing agency or other means such as death notifications, member contacting us etc.

5.2 On-line tracing agencies used include Experian, Locta and Trace IQ. Where pensions are a reasonable amount (the cost is deductible from the benefits payable) then individuals tracing agents are used.

6.0 Conclusion

6.1 Payments into a temporary bank account are made when all tracing options are exhausted and mean that the Fund has discharged its liability and the member is not faced with an unauthorised tax charge if they were to claim their benefits late.

6.2 The accounts are regularly monitored and closed where members are located or confirmation received that they have died.

Appendices

These are listed below and attached at the back of the report	
Appendix A	Deposit Account Summary - Pensioner/Beneficiary
Appendix B	Deposit Account Summary - Post 14 Refunds

Consultation

a) Risks and Impact Analysis

The Pension Fund has a risk register which can be obtained by contacting the Head of Pensions.

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Matt Mott, who can be contacted on matt.mott@wypf.org.uk

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Appendix A – Deposit Account Summary (Pensioner/Beneficiary)

STG1 Pensioner/Beneficiary Open		
Number	**Date Opened**	**Cumulative Total**
1	26/11/15	1,043.02
2	02/11/16	737.25
3	09/05/17	219.14
4	09/01/18	46.66
5	09/01/18	35.02
6	28/03/19	600.35
7	29/08/19	112.59
8	22/01/20	299.68
9	26/05/20	708.90
10	04/12/20	5,534.80
11	30/06/21	438.20
12	29/04/22	6,116.96
13	29/04/22	1,461.92
14	06/05/22	0.00
15	14/06/22	4,176.99
16	30/09/22	30.77
17	26/10/22	1,105.69
18	28/11/22	13,299.53
19	06/12/22	1,354.04
20	31/01/23	0.00
21	02/02/23	1,580.22
22	02/02/23	2,156.70
23	18/04/23	0.00
24	18/04/23	0.00
25	18/04/23	0.00
26	18/04/23	0.00

Appendix A – Deposit Account Summary (Pensioner/Beneficiary)

STG1 Pensioner/Beneficiary Closed			
Number	Date Opened	Date Closed	Cumulative Total
1	24/12/15	02/11/18	7,441.21
2	08/01/16	12/07/16	23,201.47
3	09/03/16	24/08/16	31,489.05
4	13/04/16	09/09/19	0.00
5	13/04/16	06/03/17	132.46
6	09/05/16	25/05/16	0.00
7	23/05/16	27/02/23	1,241.48
8	15/11/16	24/06/20	20,290.35
9	22/12/16	09/08/17	0.00
10	06/01/17	09/09/19	0.00
11	06/01/17	11/12/19	3,399.89
12	10/01/17	05/03/18	952.14
13	28/03/17	05/09/19	73.38
14	04/04/17	05/09/19	52.22
15	10/05/17	28/07/17	107.59
16	23/05/17	25/09/18	165.65
17	26/05/17	17/09/17	582.02
18	06/06/17	12/02/21	20.05
19	06/06/17	12/02/21	71.28
20	06/06/17	12/02/21	468.80
21	06/06/17	12/02/21	268.87
22	06/06/17	12/02/21	251.27
23	06/06/17	12/02/21	268.03
24	06/06/17	12/02/21	4.19
25	06/06/17	12/02/21	87.25
26	06/06/17	12/02/21	65.55
27	07/06/17	11/12/17	332.92
28	07/06/17	05/09/19	818.05
29	07/06/17	13/12/17	333.90
30	07/06/17	28/09/17	55.19
31	07/06/17	09/08/17	32.14
32	07/06/17	21/04/22	65.30
33	07/06/17	28/07/17	219.75
34	07/06/17	07/11/17	104.99
35	07/06/17	07/11/17	138.50
36	08/06/17	03/07/17	456.38
37	08/06/17	28/07/17	1,744.00
38	08/06/17	24/11/17	2,336.92
39	08/06/17	04/08/17	620.18
40	08/06/17	25/10/19	1,115.82
41	08/06/17	05/09/17	0.00
42	08/06/17	25/10/17	952.07
43	08/06/17	24/10/17	2,143.17
44	08/06/17	16/06/17	0.00
45	08/06/17	18/05/18	807.63
46	08/06/17	29/01/18	4,035.26
47	08/06/17	11/04/18	548.27
48	08/06/17	15/05/18	2,927.55
49	21/07/17	03/06/19	2,968.31
50	28/07/17	31/07/17	2,699.10
51	06/09/17	09/09/19	0.00
52	24/10/17	29/01/18	2,519.86
53	24/10/17	01/02/18	987.28
54	09/11/17	27/02/18	759.09
55	09/11/17	07/02/20	12,038.89
56	14/11/17	04/08/22	72.76
57	15/11/17	26/11/18	50.04
58	11/12/17	25/10/19	14,286.79
59	13/12/17	25/11/19	1,797.47
60	15/12/17	09/01/18	1,613.76
61	15/12/17	25/10/19	4,403.00
62	20/12/17	25/07/18	3,346.16
63	20/12/17	09/09/19	0.00
64	09/01/18	06/12/19	1,897.60
65	09/01/18	12/11/19	2,013.32
66	09/01/18	28/10/19	696.23

Appendix A – Deposit Account Summary (Pensioner/Beneficiary)

67	10/01/18	22/11/18	5,417.54
68	16/01/18	13/11/18	1,481.93
69	16/01/18	14/03/18	102.88
70	16/01/18	06/05/21	279.59
71	16/01/18	13/02/18	0.00
72	23/02/18	10/05/18	4,315.88
73	23/02/18	22/05/18	3,148.91
74	23/02/18	27/10/21	2,251.80
75	27/02/18	10/08/22	154.35
76	15/03/18	29/11/18	391.48
77	10/05/18	18/02/19	45.73
78	10/05/18	16/04/20	7,078.42
79	10/05/18	30/01/20	786.98
80	30/05/18	23/12/19	13.72
81	07/06/18	18/10/22	495.29
82	18/07/18	25/09/18	42.42
83	02/08/18	12/09/18	2,351.14
84	02/08/18	07/02/19	412.10
85	02/08/18	23/01/19	1,591.22
86	02/08/18	08/10/19	746.86
87	02/08/18	30/04/19	686.88
88	02/08/18	31/08/18	1,072.34
89	02/08/18	24/09/18	501.54
90	02/08/18	30/05/19	117.07
91	31/08/18	23/01/20	3,623.99
92	07/09/18	02/11/18	3,419.57
93	07/09/18	09/09/19	0.00
94	08/11/18	08/10/19	457.60
95	08/11/18	08/10/19	35.24
96	08/11/18	08/10/19	32.07
97	23/11/18	09/09/19	0.00
98	23/11/18	13/01/23	2,678.95
99	26/11/18	13/01/23	898.62
100	02/01/19	14/08/19	4,722.53
101	15/01/19	12/11/19	924.58

102	15/01/19	28/10/19	754.66
103	23/01/19	25/04/19	3,148.48
104	23/01/19	26/02/19	559.43
105	12/02/19	14/02/19	99.30
106	14/02/19	05/08/19	5,030.76
107	14/02/19	04/05/22	35.17
108	13/03/19	09/09/19	0.00
109	28/03/19	21/06/22	3,719.84
110	12/04/19	29/10/19	4,741.65
111	15/04/19	29/04/19	132.87
112	18/04/19	09/03/20	48.85
113	01/05/19	14/10/19	3,048.76
114	26/06/19	02/08/22	374.59
115	05/07/19	09/09/19	0.00
116	15/07/19	18/05/22	2,348.94
117	09/08/19	09/06/22	201.14
118	09/08/19	09/06/22	154.01
119	06/09/19	08/09/22	2,019.42
120	16/09/19	16/08/22	602.99
121	23/09/19	18/05/22	3,049.76
122	17/10/19	09/12/19	15,771.32
123	30/01/20	15/12/20	36.73
124	30/01/20	18/01/21	968.44
125	06/02/20	06/02/20	0.00
126	06/02/20	15/11/22	11,497.72
127	06/02/20	17/11/22	2,568.37
128	06/02/20	17/11/22	161.99
129	06/02/20	17/11/22	745.58
130	10/02/20	17/11/22	129.21
131	10/02/20	04/05/21	912.44
132	10/02/20	17/11/22	7.89
133	10/02/20	17/11/22	959.40
134	14/02/20	14/02/20	0.00
135	05/06/20	06/05/22	119.57
136	10/06/20	12/01/21	3,237.29

137	19/06/20	06/05/22	1,858.80
138	19/06/20	06/05/22	109.54
139	19/06/20	06/05/22	92.14
140	19/06/20	06/05/22	177.51
141	02/07/20	04/05/22	82.37
142	23/07/20	15/07/22	657.53
143	23/07/20	12/02/21	137.49
144	16/09/20	28/10/22	27.38
145	16/09/20	26/10/22	589.87
146	22/10/20	15/07/22	506.89
147	27/11/20	13/01/22	4,726.56
148	04/12/20	08/08/22	1,298.68
149	17/03/21	18/11/22	373.54
150	30/06/21	07/03/23	362.58
151	10/11/21	10/12/21	0.00
152	09/06/22	28/07/22	1,838.14

Appendix B – Deposit Account Summary (Post 14 refunds – opened & closed since January 23)

STG2 Post 14 Refunds Open		
Number	**Date Opened**	**Cumulative Total**
1	11/01/2023	108.23
2	11/01/2023	53.41
3	11/01/2023	399.94
4	11/01/2023	66.08
5	11/01/2023	4.31
6	12/01/2023	0.00
7	16/01/2023	524.77
8	20/01/2023	126.10
9	31/01/2023	0.00
10	31/01/2023	22.99
11	02/02/2023	21.51
12	07/02/2023	0.00
13	07/02/2023	27.11
14	10/02/2023	10.65
15	10/02/2023	4.87
16	10/02/2023	12.05
17	15/02/2023	152.32
18	17/02/2023	147.57
19	17/02/2023	2,156.08
20	17/02/2023	231.41
21	17/02/2023	19.06
22	17/02/2023	104.35
23	17/02/2023	28.69
24	27/02/2023	42.71
25	28/02/2023	395.42
26	02/03/2023	20.51
27	03/03/2023	1,114.18
28	09/03/2023	62.32
29	10/03/2023	376.11
30	21/03/2023	110.62
31	21/03/2023	3.76
32	21/03/2023	21.94
33	21/03/2023	1,147.80
34	24/03/2023	348.82
35	28/03/2023	97.95
36	28/03/2023	1.28
37	29/03/2023	1.75
38	29/03/2023	1.75
39	31/03/2023	0.00
40	04/04/2023	0.00
41	04/04/2023	4.69
42	06/04/2023	1.96
43	19/04/2023	857.38
44	19/04/2023	46.99
45	19/04/2023	12.82
46	19/04/2023	56.07
47	24/04/2023	8.81
48	24/04/2023	3.87
49	20/04/2023	757.76
50	20/04/2023	371.22
51	20/04/2023	268.10
52	20/04/2023	26.90
53	02/05/2023	433.63
54	09/05/2023	89.62
55	10/05/2023	64.28
56	16/05/2023	40.12
57	16/05/2023	35.37
58	30/05/2023	2.25
59	30/05/2023	237.39
60	30/05/2023	85.68

Appendix B – Deposit Account Summary (Post 14 refunds – opened & closed since January 23)

61	30/05/2023	605.84
62	30/05/2023	0.00
63	30/05/2023	243.00
64	30/05/2023	1,289.28
65	07/06/2023	142.55
66	07/06/2023	191.17
67	13/06/2023	0.00
68	13/06/2023	203.44
69	20/06/2023	0.75
70	20/06/2023	11.16
71	20/06/2023	947.31
72	20/06/2023	27.45
73	21/06/2023	26.67
74	21/06/2023	0.00
75	21/06/2023	198.57
76	22/06/2023	8.05
77	28/06/2023	0.00
		£15,268.57

Appendix B – Deposit Account Summary (Post 14 refunds – opened & closed since January 23)

STG2 Post 14 Refunds Closed			
Number	**Date Opened**	**Date Closed**	**Cumulative Total**
1	31/01/2023	21/02/2023	375.43
2	28/02/2023	11/05/2023	718.84
3	28/02/2023	02/03/2023	0.00
4	14/03/2023	27/03/2023	21.36
5	17/03/2023	23/06/2023	1,120.15
6	22/03/2023	24/04/2023	0.00
7	22/03/2023	23/03/2023	0.00
8	04/04/2023	20/04/2023	48.27
9	02/06/2023	19/06/2023	91.22
10	07/06/2023	23/06/2023	1,195.90
11	23/06/2023	27/06/2023	0.00
			£3,571.17

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Lincolnshire COUNTY COUNCIL Working for a better future

Open Report on behalf of Andrew Crookham, Deputy Chief Executive and Executive Director - Resources

Report to:	**LGPS Local Pension Board**
Date:	**9 November 2023**
Subject:	**Risk Register Annual Review**

Summary:

This report presents the Pension Fund Risk Register and Risk Policy to the Board for annual review.

Recommendation(s):

That the Board:

1) review the risk management policy; and
2) review the risk register.

Background

1. Board members will understand the importance of looking at risk as part of the normal Member training that the Council provides. Given the size and importance of the Pension Fund, it is best practice to have a separate risk register considering the key risks that can impact the Fund and how they can be mitigated, if possible. The risk register is reviewed annually at this Board, and any additional changes or updates are reported in the quarterly Fund Update reports.

2. The risk management policy, which is a formal record of the Fund's appetite for risk, its risk management structures and its approach to risk management, is attached at appendix A. There have been no changes to this policy since its review last year.

3. A full review of the risk register was undertaken in 2022, working with the Council's Principal Risk Officer, to incorporate the changes on how the council records and manages risk. The focus of risk management is now on documenting risks which are a genuine threat and are being actively managed, and removing risks from the risk register that are accepted by the Pension Fund and are being managed by routine work and activities. There have been no major changes since this review in the format of the risk register.

4. The Pension Fund covers risks from all aspects of its work. These include Governance, Investment and Funding, Operational and People risks. Under each of these headings, consideration has been given to a variety of risks and how they are managed, and any comments to assist in providing assurance or understanding. The risks on the register across each area are set out below:

   Governance, covering:
   - Failure to ensure that the Committee's knowledge and understanding of pensions related activities is robust and meets all statutory requirements.
   - Governance of asset pooling - management of relationship with Border to Coast.

   Investment and Funding, covering:
   - Required returns not met due to poor strategic allocation and assets not enough to meet liabilities.
   - Poor long term investment performance or non-compliance from managers.
   - Asset pooling – transition of assets from existing mandates to Border to Coast.
   - Failure to meet requirements as a responsible investor - across all ESG risks (including climate change and a move to a low carbon economy).
   - Cashflow - not enough income to meet pension payments due.

   Operational, covering:
   - The administrator does not perform its functions in accordance with the agreement.
   - Cyber security breach.
   - Increased risk of employers exiting.
   - Fraud risk not managed.
   - Changes in legislation not implemented correctly.

   People, covering:
   - Loss of key staff and loss of knowledge and skills.

5. The current Pension Fund risk register is attached at appendix B.

6. The Board would need to be satisfied that the key risks have been identified, and that they are comfortable with the controls in place, understanding that there will always be some risks that cannot be fully mitigated and that some sit within business as usual in managing the Pension Fund.

Conclusion

7. It is considered best practice to have identified the high-level risks associated with managing a Pension Fund and to have put appropriate controls in place, and to set out a Risk Management Policy and Risk Register.

Consultation

a) Risks and Impact Analysis

The Pension Fund has a risk register which can be obtained by contacting the Head of Pensions.

Appendices

These are listed below and attached at the back of the report	
Appendix A	Lincolnshire Pension Fund Risk Management Policy
Appendix B	Lincolnshire Pension Fund Risk Register

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Jo Kempton, who can be contacted on 01522 553656 or jo.kempton@lincolnshire.gov.uk.

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Appendix A

Risk Management Policy

RISK MANAGEMENT POLICY

Lincolnshire County Council, as the Administering Authority of the Lincolnshire Pension Fund (the Fund), is aware that some risks will always exist and will never be eliminated.

Against this background, and within the overall risk strategy of the County Council, the Fund recognises it has a moral and statutory duty to manage risk with a view to protecting its assets and the benefits due to the scheme members, and supporting its employers.

The Fund will meet this duty by adopting best practice risk management (RM) which will support a structured and focused approach to managing risks, and ensuring risk management is an integral part in the governance of the Fund at a strategic and operational level.

The overall aim is to embed risk management into the processes and culture of the Fund to help it achieve its objectives and enhance the value of services the Fund provides to scheme members and employers.

THE FUND'S RM OBJECTIVES

The Fund's RM objectives are to:

- integrate risk management into the culture and day-to-day activities of the Fund;
- raise awareness of the need for risk management by all those connected with the delivery of services (including partners, delivery agents and those involved in any form of collaborative delivery of services);
- enable the Fund to anticipate and respond positively to change;
- minimise loss and inconvenience to employers and scheme members arising from, or connected with, the delivery of Pension Fund services;
- establish and maintain a robust process for identification, analysis, assessment and management of risk, and the reporting and recording of events, based on best practice; and
- ensure consistent application of the Fund's RM methodology.

KEY MECHANISMS FOR DELIVERY

To demonstrate the Fund's clear commitment to achieving the objectives of the risk management strategy, the Fund has identified the key mechanisms through which they will be delivered. These objectives will be achieved by:

- maintaining clear roles, responsibilities and reporting lines within the Fund for risk management;
- maintaining adequate representation at departmental and corporate level, and also across the LGPS, so that risks may be freely communicated, experience pooled and information, guidance or procedures that may have a significant impact on the Fund's risk may be considered;
- promoting excellence in risk management;
- ensuring that risk management is explicitly considered in all policy decisions, partnerships, projects and key planning processes;
- maintaining a risk register for risks arising across all aspects of managing the Fund, and ensuring that the process assesses risks for likelihood and impact, identifies owners and mitigating controls and ensures that they are reviewed at least annually – ensuring that these are adequately documented and regularly reviewed in the light of changing circumstances;
- providing opportunities for shared learning on risk management across the LGPS, and with partners and stakeholders where appropriate;
- reinforcing the importance of effective risk management as part of the everyday work of employees, and that employees, officers and members are adequately informed and receive training about the risks within their own working environment; and
- regularly monitoring, reporting and independently reviewing the Fund's arrangements.

The Fund recognises the breadth and complexity of the service that it delivers, and also of the mechanisms by which they are delivered. Further support, advice and guidance can also be obtained from the Head of Pensions.

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Risk Register - Pension Fund

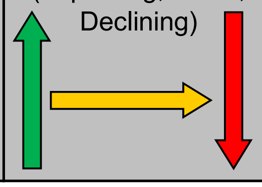
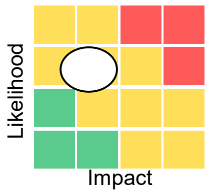
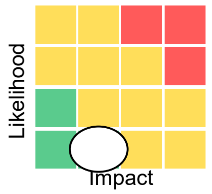
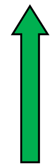
Sep-23

Reviewed: Quarterly (reported to Pensions Committee and Pension Board)

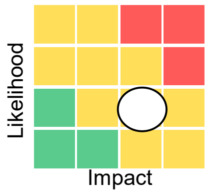
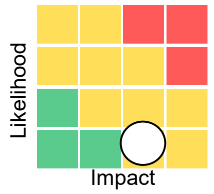
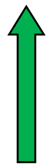
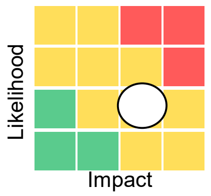
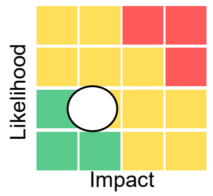
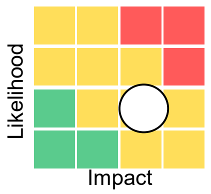
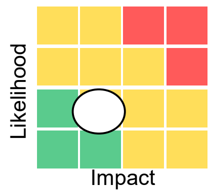
Service Objectives:

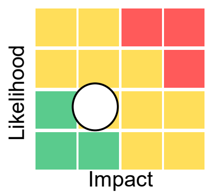
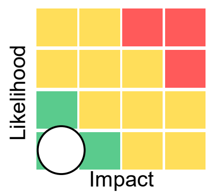
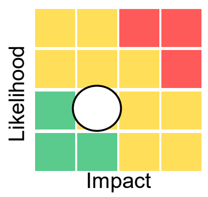
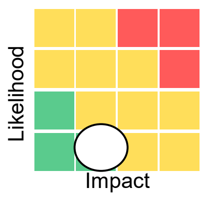
1. **Ensure there are enough assets to cover liabilities in the long term**
2. **To prepare the statutory accounts for the Pension Fund to the agreed timetable and with an unqualified audit.**
3. **To monitor all investments to ensure they are fit for purpose and within the targeted risk and return levels**
4. **To monitor the external investment managers and service providers to ensure they are acting within their IMA and/or SLA**
5. **To ensure that there is sufficient liquidity available to pay drawdowns on the Funds commitments and pensions due**
6. **To work in partnership with WYPF to ensure an effective and efficient Pensions Administration Service is provided**
7. **To work in partnership with WYPF to support the employers and scheme members**

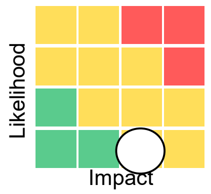
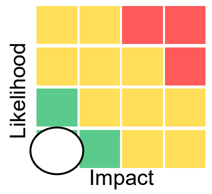
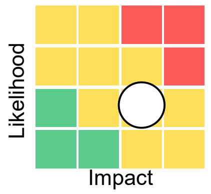
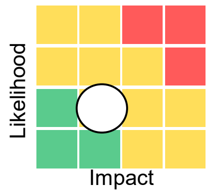
Owner : Head of Pensions

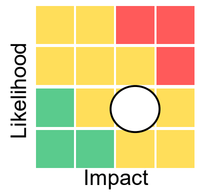
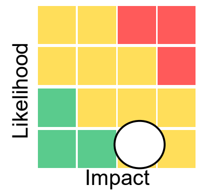
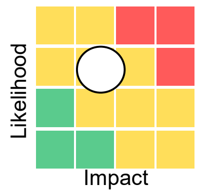
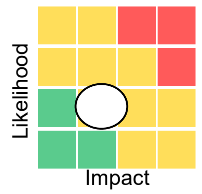
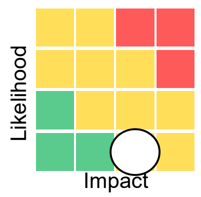
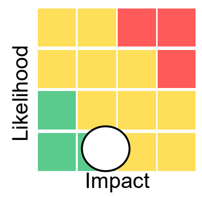
No.	Risk Owner	Risk Description	Current Risk Score (Copy and paste the white dot onto the matrix)	Target Risk Score (Copy and paste the white dot onto the matrix)	Assurance Status (High, Substantial, Limited, Low)	Assurance - Direction of Travel (Improving, Static, Declining) 	Actions	Notes / Comments
Governance								
G1	Head of Pensions	Failure to ensure that the Committee's knowledge and understanding of pensions related activities is robust and meets all statutory requirements.			**Substantial**		**Existing** • Induction training for new Committee members • Training policy and annual training plan • Opportunities to attend external training sessions and conferences • Self assessment **New & Developing** • Knowledge and skills/training questionnaire (Spring 2022) • New member training platform run Hymans offering bite size training on demand - updated August 23. • Ctte structure changed to cover training at each meeting.	Good Governance statutory guidance will mandate a minimum level of knowledge for Committee members. Updated LOLA and all members issued with user id's.

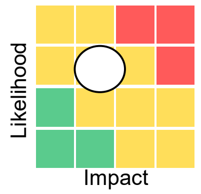
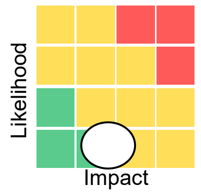
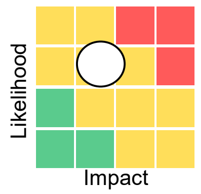
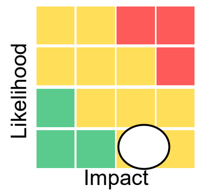
Appendix B

No.	Risk Owner	Risk Description	Current Risk Score (Copy and paste the white dot onto the matrix)	Target Risk Score (Copy and paste the white dot onto the matrix)	Assurance Status (High, Substantial, Limited, Low)	Assurance - Direction of Travel (Improving, Static, Declining)	Actions	Notes / Comments
G2	Head of Pensions	Governance of asset pooling - management of relationship with Border to Coast.			**Substantial**		**Existing** • Joint Committee • Officer operation group • Senior officer group • Governance Charter **New & Developing** • Governance review undertaken and key documents updated as required.	
Investment and Funding								
I1	Head of Pensions	Required returns not met due to poor strategic allocation and assets not enough to meet liabilities.			**Substantial**		**Existing** • Professional advice • Triennial review • Performance monitoring • Monthly Members letter • Reporting to Pensions Committee **New & Developing** • Strategic Asset Allocation undertaken	Strategy changes agreed and being implemented over time in discussion with the Investment Consultant.
I2	Head of Pensions	Poor long term investment performance or non-compliance from managers.			**Substantial**		**Existing** • Performance measurement • Managers report monthly • Reporting to pensions committee • Diversification across managers • Manager meetings • Long term timeframe **New & Developing** • Fund Officers are working to refresh the manager monitoring arrangements.	No current concerns about existing managers.

No.	Risk Owner	Risk Description	Current Risk Score (Copy and paste the white dot onto the matrix)	Target Risk Score (Copy and paste the white dot onto the matrix)	Assurance Status (High, Substantial, Limited, Low)	Assurance - Direction of Travel (Improving, Static, Declining)	Actions	Notes / Comments
13	Head of Pensions	Asset pooling - transition of assets from existing mandates to Border to Coast.			**Substantial**		**Existing** • Officer operations group • Workstreams within Border to Coast • Communicate to Committee regularly • S151 meetings • Use of Transition Managers **New & Developing** • work being undertaken on Global and UK property vehicles with Border to Coast	Over 50% of assets transitioned to 31 March 2023. Property to transition over the next two years and decision made not to transfer alternative assets. Target set to reflect position once all assets are transferred.
14	Head of Pensions	Failure to meet requirements as a responsible investor - across all ESG risks (including climate change and a move to a low carbon economy).			**Substantial**		**Existing** • Border to Coast assistance • Managers reporting requirements • LAPFF membership • Voting and Corporate Governance Policy • RI policy • RI Beliefs • Quarterly Stewardship Paper to Committee and Board. **New & Developing** • Stewardship Code 2020 • TCFD Reporting (climate) • Increased focus on ESG investments	New Stewardship Code 2020 successfully achieved for 21/22, but will need to be maintained. Collaborative work being done by/with Border to Coast. TCFD reporting requirements expected at some time from DLUHC.

No.	Risk Owner	Risk Description	Current Risk Score (Copy and paste the white dot onto the matrix)	Target Risk Score (Copy and paste the white dot onto the matrix)	Assurance Status (High, Substantial, Limited, Low)	Assurance - Direction of Travel (Improving, Static, Declining)	Actions	Notes / Comments
I5	Head of Pensions	Cashflow - not enough income to meet pension payments due, as a result of: • increasing pension payments due to inflation • reduction in active members and therefore contributions • increase in retirements and therefore pensioners • reduction in employers secondary contributions due to higher funding levels			**Substantial**		**Existing** • Asset allocation review to increase income generating assets when required • Cashflow monitoring **New & Developing** • expanded cashflow monitoring with Actuary as part of 2022 valuation • work with Border to Coast on income options from their investment vehicles	
Operational								
O1	Head of Pensions	The administrator does not perform its functions in accordance with the agreement, including: • contribution collection and allocation • benefit calculation and payment • GMP reconciliation and rectification • meeting TPR requirements			**Substantial**		**Existing** • Performance Indicators • Bi-monthly meetings with WYPF • Horizon Scanning • Internal controls and audits • Collaboration Agreement • Benchmarking & performance data • Process management • Complaint reporting • Customer Surveys • Reporting to Committee and Board **New & Developing** • Shared Service Client Relationship Manager appointment • New shared service policies • updated shared service agreement being agreed by all partners	

No.	Risk Owner	Risk Description	Current Risk Score (Copy and paste the white dot onto the matrix)	Target Risk Score (Copy and paste the white dot onto the matrix)	Assurance Status (High, Substantial, Limited, Low)	Assurance - Direction of Travel (Improving, Static, Declining)	Actions	Notes / Comments
O2	Head of Pensions	Cyber security breach.			**Substantial**		**Existing** • WYPF and Bradford Council policies • LCC policies and training • External provider control reports **New & Developing** • Internal audit by Bradford Council on WYPF policies and procedures • Bradford DR testing and increased focus on cyber risk	Cyber testing completed and some updates put in place. DR testing undertaken and successful.
O3	Head of Pensions	Increased risk of employers exiting as a result of: • reducing employer covenant strength • unaffordability of scheme • reducing membership Leading to: • costly cessation surplus payments • deficit payments not meeting actual long term liabilities • insolvency of employers			**Substantial**		**Existing** • Admission agreements • Pass through policy • Exit credit policy • Bonds • Employer covenant monitoring • Contribution monitoring • Employer communication • PFR roles **New & Developing** • Actuaries Employer Database now live • Developing additional employer monitoring internally	Discussions with two employers regarding leaving the Fund.
O4	Head of Pensions	Fraud risk not managed			**Substantial**		**Existing** • Separation of duties • Internal & external audit • Monthly reporting • Reconciliation procedures • Regular National Fraud Initiative reporting **New & Developing** • Ongoing review of high risk pensioners	

No.	Risk Owner	Risk Description	Current Risk Score (Copy and paste the white dot onto the matrix)	Target Risk Score (Copy and paste the white dot onto the matrix)	Assurance Status (High, Substantial, Limited, Low)	Assurance - Direction of Travel (Improving, Static, Declining)	Actions	Notes / Comments
O5	Head of Pensions	Changes in legislation not implemented correctly, currently McCloud and Pensions Dashboard			**Substantial**		**Existing** • Regular meetings with and reporting from WYPF • LCC staff appropriately qualified and aware of legal requirements • Pension Fund managed in line with statutory regulations • Membership of professional networks e.g. PLSA • Pension Board oversight **New & Developing** • working closely with software supplier to develop admin system • Head of Pensions member of the PLSA LA Policy Committee	Head of Pensions position on the PLSA Local Authority Policy Committee provides earlier insight into challenges and solutions.
People								
:T33Q33/	Head of Pensions	Loss of key staff and loss of knowledge and skills			**Limited**		**Existing** • Diversified staff / team • Look at other authorities with best practices to ensure LCC positions still desirable • Attendance at pensions user groups, both WYPF and LCC • Procedural notes which includes new systems as and when (LCC & WYPF) • Section meetings / appraisals (LCC & WYPF) • Regular team building (LCC & WYPF) • B2C and partner funds relationships - increased collaboration • Training requirements and qualifications **New & Developing** • LCC Team structure increase by two posts	Two additional career grade posts approved a Aim to appoint in November and begin Jan/Feb 24.

Open Report on behalf of Andrew Crookham, Deputy Chief Executive and Executive Director - Resources

Report to:	**LGPS Local Pension Board**
Date:	**9 November 2023**
Subject:	**Border to Coast Annual Report and Accounts**

Summary:

The Fund's asset pool, Border to Coast Pensions Partnership, produces an Annual Report and Accounts document that is published on its website. A representative from Border to Coast will present the document to the Board.

Recommendation(s):

To consider and discuss the presentation from Border to Coast on their Annual Report and Accounts.

Background

1.1 The Fund's asset pool, Border to Coast Pensions Partnership, produces an Annual Report and Accounts document that is published on its website. The Annual Report and Accounts for 2022/23 is attached at appendix A.

1.2 Milo Kerr, Head of Customer Relationship Management and Neil Hawkins, Head of Finance at Border to Coast, will present the document to the Board and answer any questions.

Conclusion

1.3 Border to Coast will present their annual report to the Board for their questions and comments.

Consultation

a) Risks and Impact Analysis

The Pension Fund has a Risk Register which can be obtained by contacting the Head of Pensions.

Appendices

These are listed below and attached at the back of the report	
Appendix A	Border to Coast Annual Report and Account 2022/23

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Jo Kempton, who can be contacted on 01522 553656 or jo.kempton@lincolnshire.gov.uk.

ADDING VALUE

BORDER TO COAST PENSIONS PARTNERSHIP ANNUAL REPORT & ACCOUNTS

2022 - 2023

BORDER TO COAST PENSIONS PARTNERSHIP

MAKING A DIFFERENCE

Page 80

Border to Coast Pensions Partnership is one of the largest pension pools in the UK. Established as a Financial Conduct Authority (FCA) regulated asset manager in 2018, we were founded to pool the investments of like-minded Local Government Pension Scheme (LGPS) funds – our 'Partner Funds', who are our shareholders and only customers.

As a customer-owned, customer-focused organisation, everything we do is for the benefit of our Partner Funds, who represent over 2,800 employers, over 1.1 million LGPS members, and the millions of taxpayers associated with them.

Visit: **bordertocoast.org.uk**

Our Annual Report has images from the areas represented by our Partner Funds.

Bedfordshire

Cover image: Warwickshire

OUR PURPOSE AND VALUES

Our values underpin everything we do. They support our inclusive culture, guide our judgements, and help build the trust and confidence to allow us to deliver on behalf of our Partner Funds. How we do things is as important as what we do, and we want our colleagues to thrive in a supportive, collaborative environment at a company that is sustainable over the long term.

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We are collaborative
We depend on each other. We build open and effective partnerships, both internally and externally.

We act with integrity
We do the right things for the right reasons and are transparent, fostering trust, respect and confidence.

We are sustainable
We make decisions for the long term and invest in our people to deliver success for our Partner Funds.

Our values and behaviours


The Black Mill, East Riding

OUR PARTNER FUNDS

Our LGPS Partner Funds were united by a common understanding of how pooling could be best implemented and made to work successfully and sustainably for the long term.

The result was the foundation of Border to Coast Pensions Partnership to enable the pooling of their assets.

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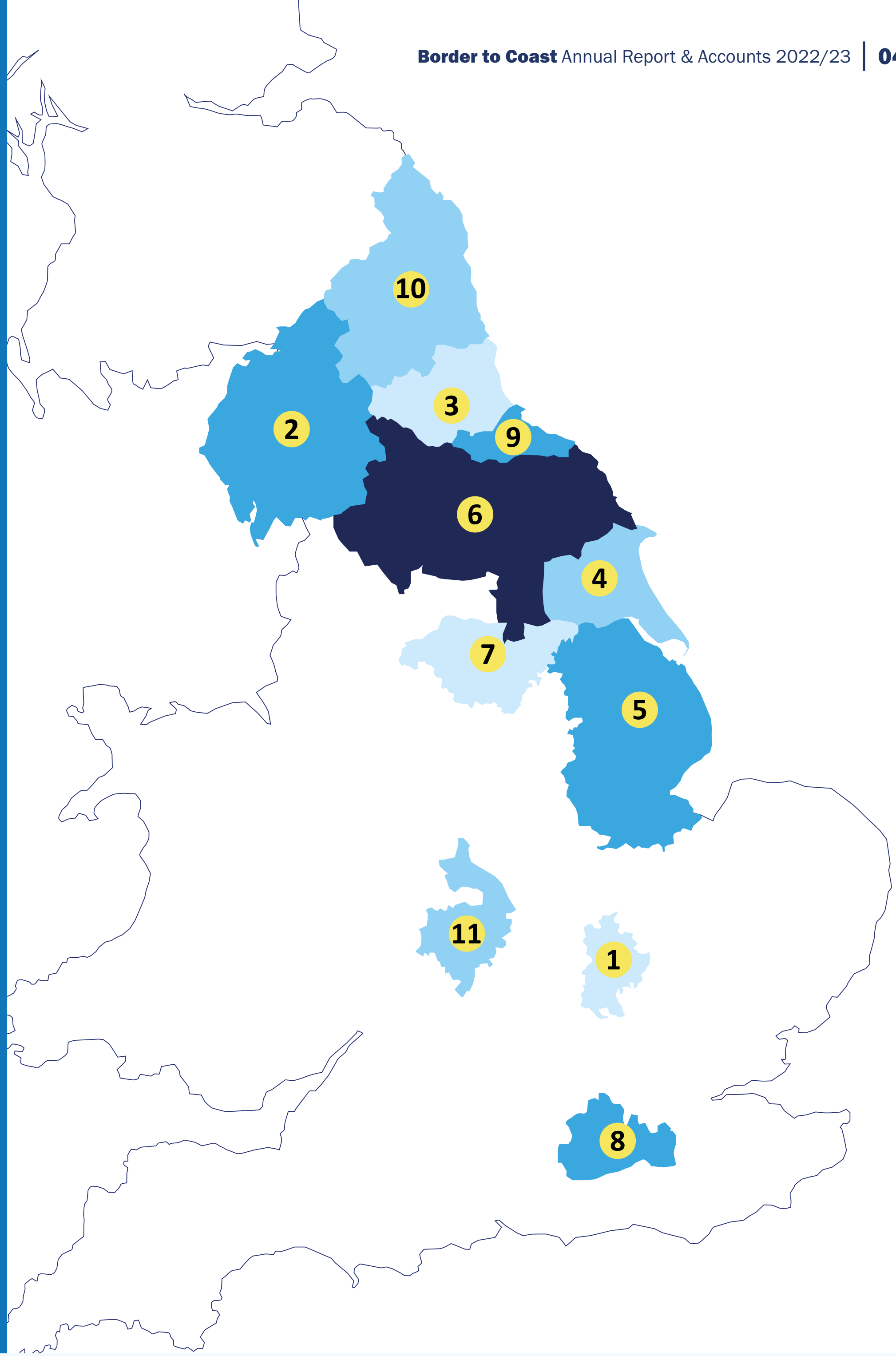
Map number	Fund
1	**Bedfordshire Pension Fund** Members: 78,279 Employers: 238
2	**Cumbria Pension Fund** Members: 62,278 Employers: 125
3	**Durham County Council Pension Fund** Members: 63,309 Employers: 107
4	**East Riding Pension Fund** Members: 126,199 Employers: 357
5	**Lincolnshire Pension Fund** Members: 79,573 Employers: 256
6	**North Yorkshire Pension Fund** Members: 99,810 Employers: 127
7	**South Yorkshire Pensions Authority** Members: 176,437 Employers: 548
8	**Surrey Pension Fund** Members: 110,476 Employers: 345
9	**Teesside Pension Fund** Members: 80,403 Employers: 170
10	**Tyne and Wear Pension Fund** Members: 179, 834 Employers: 322
11	**Warwickshire Pension Fund** Members: 56,560 Employers: 221



HIGHLIGHTS

Named **POOL OF THE YEAR** for the third time

LAPF Investments Awards

Engaged with companies **1,860** times

*

£65M in cost savings

Won the **CONTRIBUTION TO DIVERSITY AND INCLUSION AWARD**

Investment Week Women in Investment Awards

Responsible for **£40.3BN** of investments

94% of colleagues proud to work for Border to Coast

13,080 Total number of resolutions voted

*

£12bn committed to Private Markets

Published our **NET ZERO** ROADMAP

FRC UK STEWARDSHIP CODE signatory

*

12 graduate trainees

Won **BEST APPROACH TO RESPONSIBLE INVESTMENT**

LAPF Investments Awards

162 meetings with Partner Funds

*These figures are cumulative


Dunstable Down, Bedfordshire

STRATEGIC REPORT

A GOOD STEWARD IN UNCERTAIN TIMES

Chair's Introduction

Chris Hitchen
Chair

> The Company has continued to grow and consolidate its position as the trusted investment manager for its 11 Partner Funds.

Steady progress in an unsteady world

It gives me great pleasure to introduce Border to Coast's Annual Report and Accounts, covering its fifth year of operations.

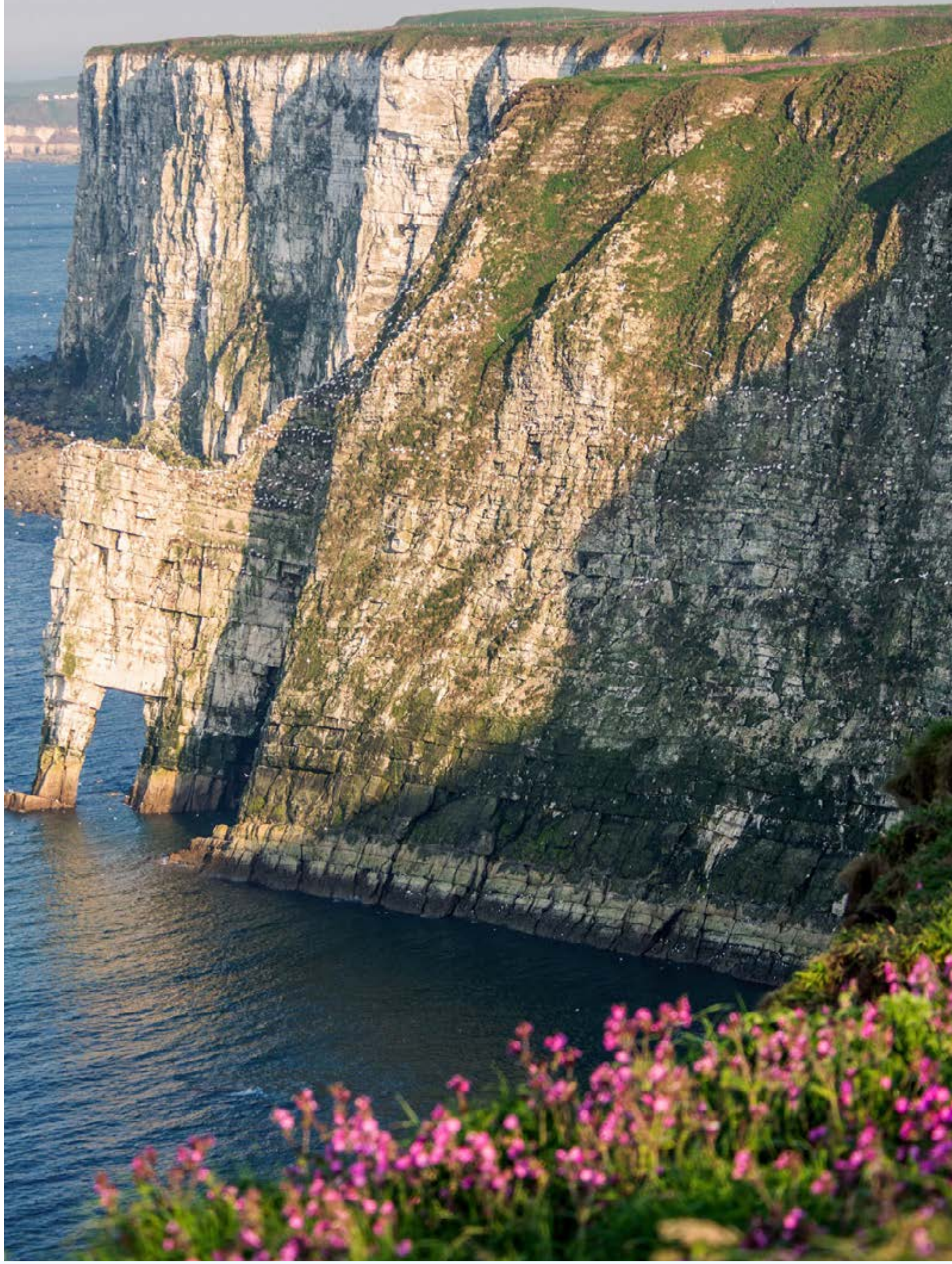
The Company has continued to grow and consolidate its position as the trusted pool for its eleven Partner Funds. We ended the financial year with funds under management of £40.3bn after an up-and-down year for the valuation of public markets. Vicissitudes in the value of stocks – and also this year, bonds – are completely normal, albeit sometimes catalysed by abnormal events.

Weighing and voting

A famous American investor, Benjamin Graham, said that in the short term the stock market is a voting machine but in the long run it is a weighing machine. He was writing in the 1930s after a period of severe falls in markets which, from his point of view, presented opportunities. I think what he meant was that in the moment, stock prices reflect the collective sentiment of investors, but over the long term, true economic value predominates. At Border to Coast, we aim to be a long-term investor on behalf of our Partner Funds and a good steward of their assets. This means for instance that we vote on thousands of resolutions, and engage with hundreds of companies, because we are not just interested in short-term pricing but in long-term success and sustainability.

I always imagined that Graham's voting machine was a theoretical concept, but in fact mechanical voting machines were a completely normal feature of American democracy in the 1930s and date back as far as 1892. By contrast, in the UK we still mostly cast our democratic votes by hand, of course. 2023 is a significant electoral year for our local authorities, with elections in many though not all places, and a continued reshaping of local government into unitary authorities. I should like to take this opportunity to thank our Partner Funds and their administering authorities for their continued support for Border to Coast and for pooling. We have been very fortunate in the officers and members who have helped and guided us along the way – thank you.

The national success of LGPS pooling is still to be determined, with central government keen to see continued consolidation but some local authorities demonstrating less enthusiasm. We know that pooling will only succeed if we continue to unlock value not just through economies of scale but through wider opportunities and deeper expertise to take advantage of those opportunities. We are making excellent progress in private market investments and are readying our real estate propositions to further deliver to Partner Funds.



East Riding

Cost of living

Our year has been overshadowed by war in Ukraine, where there has been a tragically high human cost. Whilst in no way comparable, there has been an undeniable impact on the cost of living for LGPS members and other residents in the UK, many of whom are Border to Coast's stakeholders.

Rising inflation has affected Border to Coast too. We had already recognised that the need to attract and retain people was a significant source of risk for the organisation. This was partly because of a buoyant local jobs market in Leeds, where new employers such as the UK Infrastructure Bank and the Financial Conduct Authority were setting up shop. It was also partly because, since the pandemic, firms in London and other big centres were competing more aggressively for talent and had noticed our people's good progress. We offer efficient, flexible working arrangements, and our sense of purpose and collegiate culture are distinctive, but spiralling inflation risked eroding these advantages.

I have been delighted by the response of our shareholders, who have ensured that Border to Coast continues to be resourced to an appropriate level to carry out its role effectively, whilst also taking a strategic approach to the governance of the Company. This has required open-mindedness and collaborative thinking, a hallmark of our Partner Funds from the beginning of Border to Coast. Before the beginning, in fact. We could not do it without you.

Change and continuity

At Board level I am indebted to the hard work and steadfast support of executive and non-executive colleagues, including our Partner Fund directors, an important and in some ways unique link to our shareholders and customers. I should like to thank in particular Councillor Anne Walsh, who completed her term on our Board this year and was succeeded by Councillor David Coupe.

At executive level, I am delighted to welcome Joe McDonnell as our new Chief Investment Officer (CIO), with heartfelt thanks to John Harrison for being a highly effective Interim CIO for a second time. I believe we have a strong team, well-placed to deliver for our Partner Funds in the year, and years, ahead.

Chris Hitchen
Chair

DELIVERING THE BENEFITS OF POOLING

Chief Executive Officer's Statement

Rachel Elwell
CEO

"We were created by our Partner Funds and working collaboratively, to make a difference for the LGPS, remains fundamental to our organisation."

We are living in an uncertain world. In the past year society has faced a range of issues - the after-effects of the pandemic, the global economic impact of the war in Ukraine, and political turbulence in the UK. Yet despite the many challenges, Border to Coast has continued to make significant progress in delivering the benefits of pooling for our Partner Funds.

Just five years into our pooling journey, our Partner Funds have continued to place their trust in us: of the collective c.£58.0bn of investments, over 83% (£48.5bn) are pooled, either managed or overseen by Border to Coast, and this figure is expected to increase with the launch of Real Estate and other propositions currently in development.

Our progress in developing a sustainable business has been made possible by the support we receive from elected members, officers, advisers and our wider stakeholders across the industry. We can all be proud of our collective progress to date, which was recognised at the 2022 LAPF (Local Authority Pension Fund) Investments Awards where we were named 'Pool of the Year' for the third time in four years, and as having the 'Best Approach to Responsible Investment'.

An effective responsible investor

Our commitment to responsible investment (RI) is fundamental to delivering long-term investment returns for our Partner Funds. Climate change remains a systemic risk and, following our 2021 commitment to achieving net zero by 2050 or sooner, in October 2022 we published our roadmap detailing how we will turn this ambition into reality. Working with our Partner Funds we also strengthened our voting and engagement approach, calling on companies to make greater progress in aligning to a low-carbon economy and net zero goals.

To help address our priority of RI engagement themes (of low carbon transition, waste and water management, social inclusion and labour management, and diversity of thought), we support investor initiatives, such as a just transition in emerging markets and cyber security. I'm proud that our achievements in this area ensured we retained our status as a signatory to the Financial Reporting Council's (FRC's) UK Stewardship Code.

CEO Statement continued

Adding value

An original rationale for LGPS pooling was to deliver cost savings. To date, we have saved our Partner Funds an estimated £65m – a figure we expect to increase significantly in the coming years. However, pooling is more than delivering cost savings and our focus remains on how we can deliver value. This includes developing new investment opportunities, using our collective voice to influence Environmental, Social and Governance (ESG) matters, and supporting our Partner Funds in meeting the ever-increasing reporting and governance demands that large asset owners face.

An employer of choice

We would not be where we are today without the support of our colleagues. During 2022, we held our first formal colleague survey, which I am pleased to report demonstrated the strength of our culture, highlighting how we put our Partner Funds at the heart of what we do and our colleagues' pride in working for Border to Coast.

This year we grew our headcount by 22 people, taking us to 138 colleagues, helping us to deliver for our Partner Funds sustainably and successfully over the long term. As noted in the Chair's introduction, we welcomed Joe McDonnell as our new CIO. I would like to thank John Harrison for his support as our interim CIO, and in his ongoing advisor role. We also welcomed our fourth cohort of graduate trainees, who follow in the footsteps of their peers who have progressed successfully into new roles within our teams, and who continue to impress me with their commitment to their training and examination successes.

Looking to the future

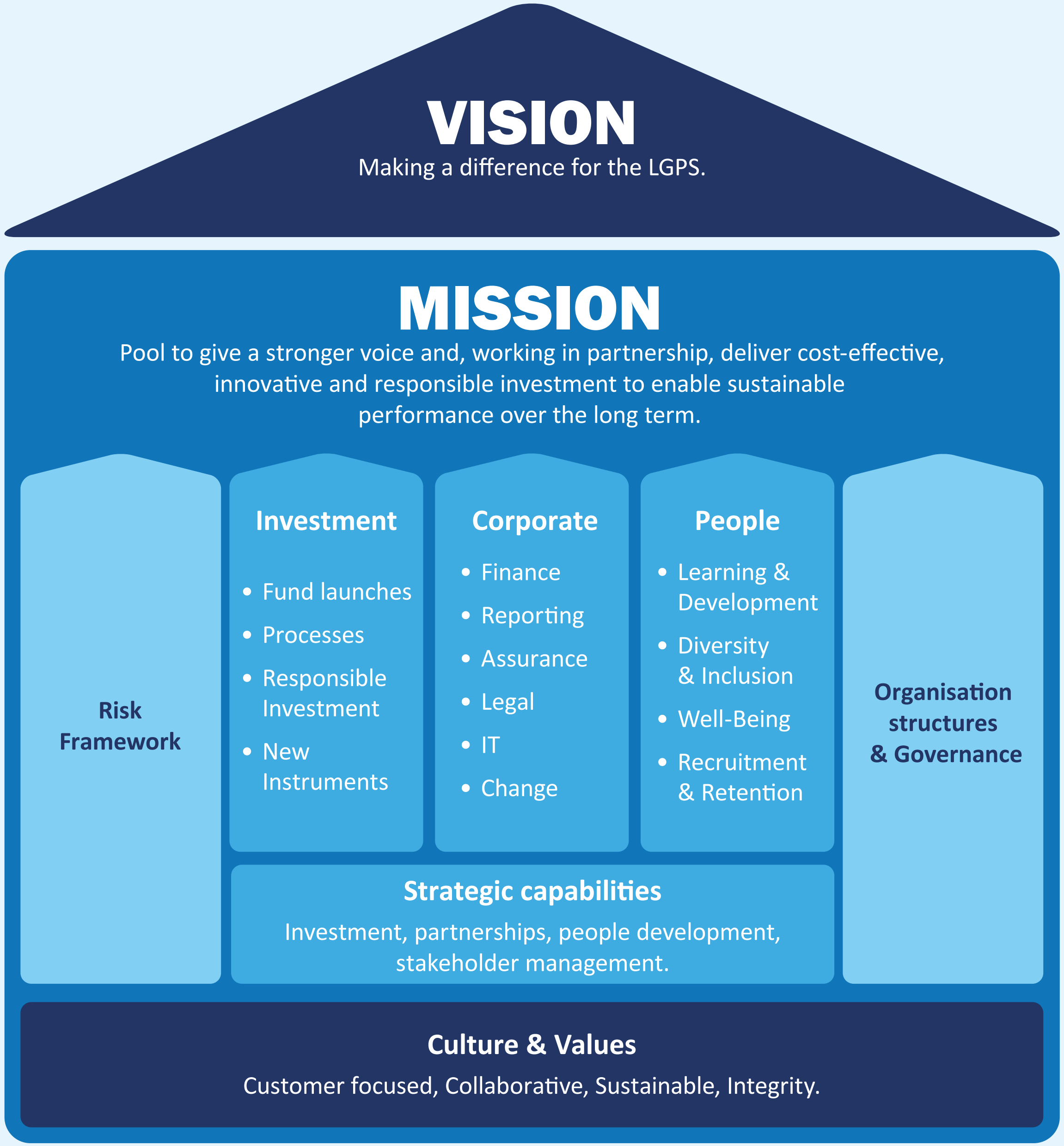
We are now approaching the final stages of our initial build. We have laid the foundations for a sustainable organisation, set up for long-term success. We have also developed and launched many of the propositions needed for Partner Funds to pool assets and implement investment strategies. Our focus continues to be the delivery of sustainable and cost-effective long-term investment returns.

Nonetheless, we live in a dynamic world where change seems to happen at an ever-increasing pace. Working together, we have shown that pooling can and does deliver. Having established ourselves as a trusted partner and as a centre of investment expertise, as we look ahead we are working with Partner Funds to understand how we can collaborate on the common issues and challenges we will face in the years to come. I am very much looking forward to exploring how we can collectively continue to make a difference for the LGPS.

Rachel Elwell
CEO

Slater's Bridge, Cumbria

BUSINESS MODEL AND STRATEGY



Business model

Border to Coast was established by our Partner Funds to enable the pooling of assets. Based in central Leeds, we are regulated by the FCA. Working with our Partner Funds, we provide the investment solutions needed to successfully secure the investment outcomes needed to meet the benefits of 1.1m members.

Our services

We provide a range of investment services, including:

- portfolio management: developing and managing a range of investment propositions to meet the long-term risk, return and liquidity, and income requirements of our Partner Funds
- asset management services, including arranging custody and administration of assets
- facilitating asset servicing support
- investment reporting and accounting information
- supporting Partner Funds on responsible investment and stewardship
- investment advice.

Operating model

Border to Coast designs, develops and operates investment propositions offering exposure to a broad range of asset classes for our Partner Funds. We are responsible for the management of these investments though our in-house investment team, both directly and through selecting and working with specialist external managers.

We provide portfolio and risk management for our investment propositions. This is supported by our third-party administrator, Northern Trust, to which we have outsourced a range of middle and back-office activities and fund administration. Border to Coast retains accountability for these functions while maintaining oversight of third-party providers.

We seek to deliver our vision and mission through our three strategic pillars: our Investment programme, Corporate programme, and People. However, these can only be delivered through our identified strategic capabilities and supported by a strong risk and governance framework. All of this is underpinned by our culture and values.

OUR INVESTMENTS

Our Propositions

How we invest

Our investment philosophy is shaped by the needs of our Partner Funds. Our investment horizon is better measured in years and decades than months and quarters as the invested assets are intended to fund pension payments for scheme members long into the future. As such, a deep understanding of the investments we make and the third parties we work with is crucial in developing and managing portfolios. In particular, we believe that ESG issues can have a material impact on the value of financial assets and on the long-term performance of investment portfolios. We have designed and developed a range of investment propositions to serve the needs of our Partner Funds and enable the implementation of long-term investment strategies. As at 31 March 2023, we have launched nine public market funds and four private market propositions.

Equity

Overseas Developed Markets Equity Fund
Assets under management **£6.2bn**

Emerging Markets Equity Fund
Assets under management **£1.2bn**

Global Equity Alpha Fund
Assets under management **£6.4bn**

UK Listed Equity Fund
Assets under management **£3.6bn**

UK Listed Equity Alpha Fund
Assets under management **£1.4bn**

Listed Alternatives Fund
Assets under management **£1.2bn**

Fixed Income

Sterling Investment Grade Credit Fund
Assets under management **£3.1bn**

Multi-Asset Credit Fund
Assets under management **£3.4bn**

Sterling Index-Linked Bond Fund
Assets under management **£1.8bn**

Private Markets

Infrastructure
Committed **£4.3bn**

Private Equity
Committed **£3.0bn**

Private Credit
Committed **£3.3bn**

Climate Opportunities
Committed **£1.4bn**

*All asset values as at 31 March 2023

OUR INVESTMENTS

Market Commentary

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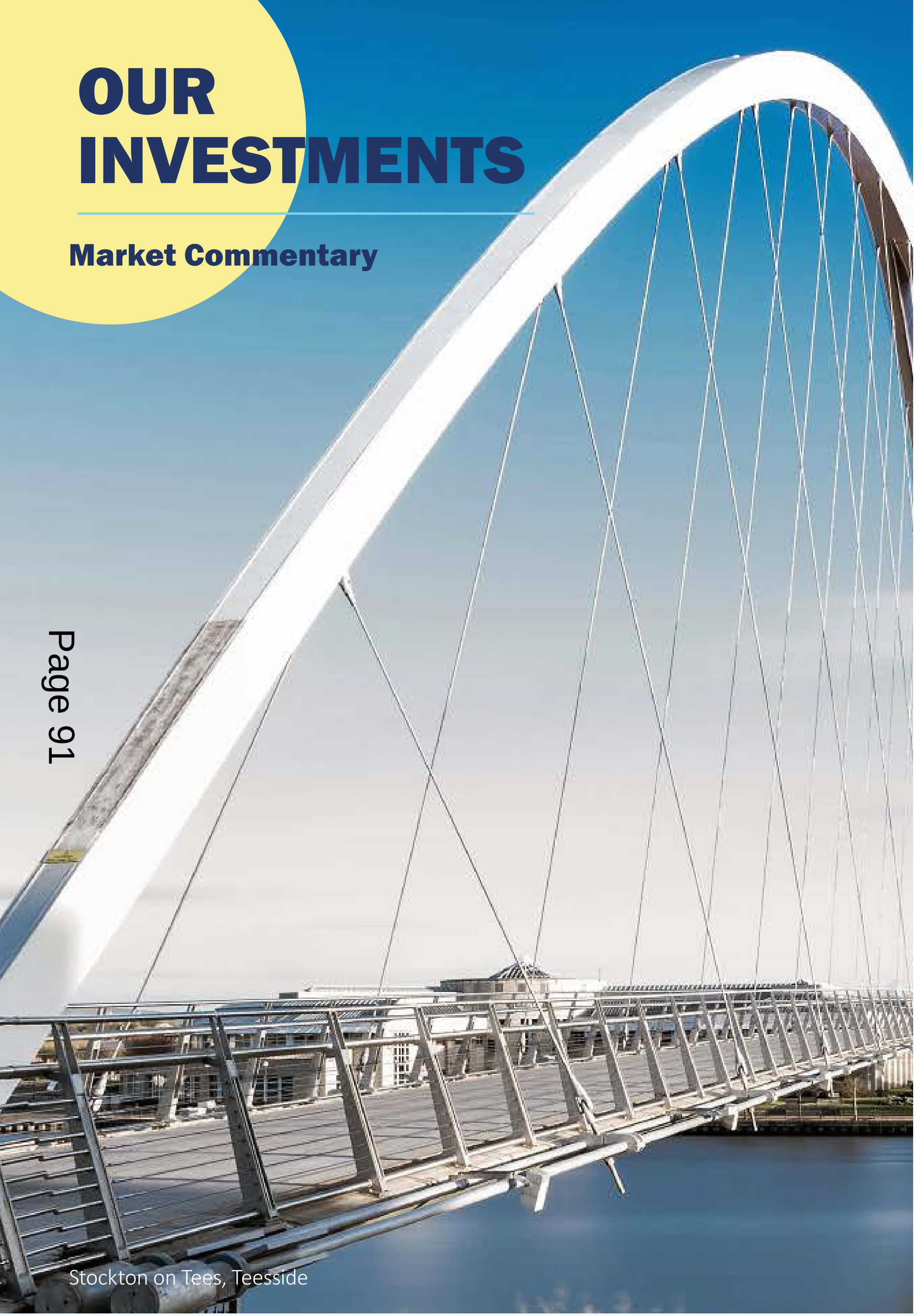

Stockton on Tees, Teesside

The macroeconomic environment has been somewhat challenging during the financial year – the continuation of the Russian invasion of Ukraine; rising tensions between China, Taiwan and the US; the ebb and flow of the energy crisis in Europe; and the success of populist political parties – have increased the level of geopolitical risk. Closer to home, an increase in political uncertainty in the UK as a result of the ill-judged September 2022 mini-Budget, its impact on the gilt market and related derivatives strategies which necessitated intervention from the Bank of England, and the subsequent political changes also proved challenging.

Inflationary pressures have built as a result of higher commodity prices, supply chain pressures, a rebound in demand as economies recovered from Covid-induced disruption, and tight labour markets resulting in higher wages. This has caused a sharp and significant monetary tightening as central banks increase interest rates and either cease or reverse asset purchases.

Central banks are left with a delicate balancing act. Either they do not raise interest rates sufficiently to combat inflation and it becomes embedded, resulting in a higher peak in the rate cycle, or they raise interest rates too far, too fast and exacerbate a global slowdown into a full blown recession. Towards the end of the financial year there were concerns that tightening had gone too far, to the extent that the market is now pricing in an easing of monetary policy by the end of 2023.

A combination of aggressive monetary tightening by the US Federal Reserve, a deterioration in investor sentiment, the slowdown in Europe and China, and the Budget issues in the UK, resulted in significant dollar appreciation, to levels last seen in the mid-1980s when coordinated global action was required. There has been a reversal in dollar strength: as peak interest rates are anticipated to be lower than originally expected, combined with a recovery in China, (due to the abandonment of the zero-Covid policy) and Europe, as the impact of higher energy prices was less than feared.

Financial markets reacted negatively, with both global equity and bond markets falling by ~20% in the first half of the financial year, with only significant currency depreciation mitigating these losses to high single digits for sterling investors. An initial rebound in late summer quickly reversed as central banks indicated the likelihood of more aggressive interest rate rises to come, possibly in recognition of not moving quickly enough when inflationary pressures started to build. However, a more sustained recovery took hold from mid-October 2022 into early 2023 as macroeconomic activity was more resilient and valuations appeared more reasonable. Banking sector concerns triggered initially by the collapse of two US regional banks (Silicon Valley Bank and Signature Bank) and exacerbated by the rescue of Credit Suisse tempered the recovery in financial markets. Although measures of market volatility have eased, bond market volatility remains elevated relative to history.

Market Commentary continued

The current macroeconomic environment appears to be relatively fragile. Government debt levels are high and rising, which will likely require fiscal tightening to bring under control. Consumers have experienced a sharp fall in their disposable income, with knock-on effects on their confidence and spending. Governments and consumers will both be impacted by higher debt servicing costs. Corporate investment, which has been relatively weak in the last few years, is unlikely to rebound in the current uncertain environment, although US fiscal stimulus embodied in the Inflation Reduction Act (IRA) and the CHIPS and Science Act is likely to be beneficial, notwithstanding the potential impact on trade relations with other regions.

There are signs that inflationary pressures are reducing, with falling non-energy commodity prices and an easing of supply chain pressures. The latter is partly due to companies building an inventory buffer and reconfiguring supply chains to prevent future disruption. In addition, corporate and consumer balance sheets remain relatively strong, although the latter has been supported by rising property prices which are coming under pressure in a higher rate environment.

Despite the weak economic backdrop, there has not been a sharp fall in corporate earnings and only recently has there been a correction in earnings expectations, with analysts being notorious for failing to anticipate slowdowns. In the event that central banks can engineer a soft landing whilst bringing inflation under control, financial markets are arguably well supported at current levels.

South Yorkshire

OUR INVESTMENTS

Our Progress

While the markets may have been turbulent, we have delivered cost effective and innovative responsible investment opportunities for Partner Funds.

An integrated approach to responsible investment

Page 93

In October 2022 we published our **Net Zero Implementation Plan** detailing the steps we will take to deliver on our 2021 pledge to reach net zero emissions by 2050, or sooner. Recognising that the real-world path to Net Zero across the globe will not be easy or straightforward, we became a founding member of the Emerging Markets Just Transition Investor Initiative. We also updated our voting policy, strengthening our expectations on climate progress made at both oil and gas firms and, for the first time, banks. As part of this update we also clarified our expectations on Board diversity.

In the year we re-appointed Robeco to provide support in implementing our specific voting and engagement priorities. We continued to deliver against the four pillars of our RI strategy; continuing to embed ESG factors into investment decisions, collaborating with other investors on areas aligned with our priority engagement themes, engaging with the wider industry, and further developing our RI reporting.

This work helped us to retain our status as a signatory to the FRC Stewardship Code, which sets a high benchmark for asset managers and asset owners in demonstrating how they manage, integrate and report on their stewardship activities. More information on our activity as an active steward can be found in our Responsible Investment and Stewardship Report.

Our **Climate Change Report** [as published on our website] (our fourth in line with the recommendations of the Task Force on Climate-related Financial Disclosures, TCFD) shares how we are managing climate risk and taking opportunities to help finance the net zero transition.

Evolving our offering

We are finalising the elements of a new, externally managed, Emerging Markets Equity Alpha Fund, which will complement our internally managed Emerging Markets Equity Fund, expanding Partner Fund access to specialist management in these markets. As part of our annual proposition review process we completed two fund restructures to improve the balance of risks within the funds. The first introduced two new managers, Train and Redwheel, to the UK Equity Alpha Fund, and the second added a specialist Emerging Markets sleeve to our Global Equity Alpha Fund.

Real Estate

We progressed the design of a Global Real Estate proposition, with its launch expected in 2023, and we collaborated with Partner Funds and across the industry including the appointments of a number of external partners, on the development of an offering in UK Real Estate.

Diversifying with Private Markets

Partner Funds have continued to be very supportive of our Private Markets programme and commitments have remained at a strong level. In the year, £2.3bn was committed to Series 2B of the programme, which confirms our position as the largest Private Markets pooled investor in the LGPS. We have also made significant progress in deploying the assets committed to our £1.4bn Climate Opportunities portfolio (see page 17 for more detail).

Adding Value

Adding value to our Partner Funds is a key objective for us. Clearglass Analytics is an independent data company which helps asset owners assess value for money delivered by their asset managers. It has a scheme efficiency 'index' of 1,000 pension schemes, (total AUM £1.3 trillion) across over 50 asset classes and over 500 asset managers including a number of large schemes. As part of their research, this year it ranked Border to Coast at number one This has been achieved due to the impact of our scale, governance, and blend of internal management and an external manager selection framework.

Saltburn-by-the-Sea, Teesside

Middleton-in-Teesdale, Durham

Future activities

Plans for future capabilities include the development of a UK Opportunities offering, which will enable our Partner Funds to invest locally within the UK and the development of a second Climate Opportunities portfolio. We will also be investing in research expertise, further enhancing the investment insights offered to our Partner Funds.

OUR INVESTMENTS

Investing To Support The Energy Transition

As part of our net zero commitment,we are investing in infrastructure and technology solutions, on behalf of Partner Funds, to support the transition to a carbon-free economy. We estimate that at 31 March 2023, £6.9bn of the equity and fixed income portfolios that are covered under our net zero roadmap were invested in such solutions, based on MSCI's definition which identifies companies offering clean technology such as the facilitation of renewable energy production.

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In addition, our private markets portfolio includes around £1.4bn of capital that has been committed to investments in climate solutions, of which c.£350m has been deployed. A significant proportion of these investments are in our Climate Opportunities portfolio, which was launched in April 2022 with £1.35bn of commitments. This portfolio will make investments focused on accelerating the net zero transition.

Climate Opportunities invests across private equity, infrastructure and private credit assets, with a focus on the following sectors:

CLEAN ENERGY

Renewable generation
Next Generation Grid
Hydrogen Battery storage

TECHNOLOGY

Emissions tracking /reporting
Climate modelling
Energy management

TRANSPORT

Electric vehicles
Charging
Low carbon fuels

INDUSTRY

New generation plastics
Low carbon cement / steel
Automation Energy efficiency

AGRICULTURE

Food production
Alternative proteins
Biodiversity
Water management

SEQUESTRATION

Carbon capture and storage
Direct air capture
and storage Forestry

Croxdale, Durham

Case studies:

Innovative climate solutions

In October 2022 we committed €100m to Hy24's €2bn Clean Hydrogen Infra Fund, which invests exclusively in clean hydrogen, largely focused on building proven technologies into mature infrastructure that can play a major role in the journey to net zero. It is the world's first and largest infrastructure fund solely focused on investments across the clean hydrogen value chain, from production and conversion, to storage, supply, and usage. It is estimated that clean hydrogen solutions could represent up to 20% of the final energy demand within the 2050 net-zero agenda.

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Developing a resilient energy network

In January 2023 we invested £90m in building critical grid infrastructure that will support the UK's energy transition to lower carbon and renewable forms of energy. Quinbrook Renewables Impact Fund supports the construction of four new synchronous condensers, which will be key in ensuring the electricity grid can handle the intermittency of renewable power, helping make its usage sustainable and effective. The development will play a critical part in enabling more variable and weather-dependent renewables to be built as the UK looks to secure its long-term energy supply, ultimately evolving from a 50 percent to a 100 percent decarbonised power system.


A Quinbrook Renewables Impact Fund synchronous condenser

OUR PEOPLE

Our people, and the support we offer as an employer, are central to our success in delivering on behalf of Partner Funds. We have continued to make good progress in maturing our People Strategy in the year, with a focus on embedding our values, successful recruitment and retention, learning and development, wellbeing, diversity and inclusion and support for career development.

Purpose led

We exist to make a difference for the LGPS, and we have continued embedding our purpose and values into what we do and how we do it. From our induction process and recruitment strategy, to performance management, and how we recognise colleagues' work, we have sought to remain collaborative, with a focus on integrity, in order to engage colleagues and sustain high levels of contribution to our purpose.

A strong work environment

We have embraced the ripple of change impacting organisations after the pandemic; during the year a hybrid approach to work has become our 'new normal', entrusting colleagues to manage their time effectively and blending office and remote working to meet their team's and Partner Funds' needs, to enable us to continue to deliver our strategy. Yet the work environment is more than just where and when people work; we recognise the importance of sharing and embedding new ways of working. With that in mind we have a well-developed rhythm of engagement with colleagues including regular and transparent communication across the business, bringing the whole team together at least five times a year. We drew insight from our colleague working groups, our first engagement survey and colleague lunches with senior Leaders and our Non-Executive Directors to ensure that colleagues have a clear voice in how we work together and how we develop as a business.

Building our colleague experience

We're building a reputation as a centre of investment expertise, a learning-focused organisation and a supportive and inclusive place to work. External recognition included winning Investment Week's Investment Industry Contribution to Diversity & Inclusion award.

Opportunities for development are a critical part of our colleague experience, ranging from our graduates through to our most experienced people. We were delighted to celebrate a number of internal role changes and promotions during the year, marking our success in developing career paths across the organisation. Continued growth in support of delivering for our Partner Funds means at 31 March 2023 we had 138 colleagues, including 12 graduate trainees (around 9% of our workforce).

Our Leadership Capabilities

We have developed our Leadership Capabilities to help us unlock the leadership potential of every individual by embedding these capabilities in our people management practices - this includes feedback, development goals and programmes, induction, and succession.

Self-Awareness
We know ourselves and understand our impact on others

Communication
We build effective relationships through open and honest conversation

Influence
We know how to engage others with different perspectives

Development
We care about our learning and growth, individually and as a team

Direction
We work towards the same things and care about clarity for others

Agility
We are flexible and responsive in how we deliver our purpose

We believe that our focus on learning and personal growth, combined with career development and a strong team culture are critical to retention of talented colleagues, a core element of our sustainable organisation strategy.

Like many organisations, we have faced post-Covid challenges, with a toll on physical and mental health seen throughout society. we have stepped up our support for wellbeing across the organisation through initiatives such as our Employee Assistance Programme alongside ensuring our culture and management approach supports wellbeing.

Over the last year we have supported our people through the cost-of-living crisis, with our lower-paid colleagues receiving a one-off non-pensionable supplement to help them during a very challenging period.

Future activities

We will be enhancing our Employee Value Proposition by introducing a variable pay plan for the 2023/24 financial year for which all employees will be eligible for consideration for participation. Our Board Remuneration and Nomination Committee has worked closely with our Partner Funds to agree the plan.

This plan is distinctive as it is based on the collective performance and success of Border to Coast – not individuals or teams within our company. It has been designed to promote and support effective risk management and appropriate risk-taking behaviours, and is aligned with our collaborative culture and the interests of our 11 LGPS Partner Funds.

The benefit is non-contractual, remains at the discretion of the Committee and complies with relevant FCA requirements, having taken into account associated guidelines.

During the coming year we will further develop our people policies and practices to ensure they remain appropriate for an organisation that has grown and matured since inception five years ago, and that they serve our ambition, our culture and enable our people to operate at their best.

Knaresborough, North Yorkshire


Lake Windermere, Cumbria
CORPORATE
STRATEGY

CORPORATE STRATEGY

Our Progress

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Now approaching the end of our initial strategic phase, which covered a period of significant change both internally and externally (including pandemic, supply shortages, recruitment challenges, regulatory change, Local Government reorganisation and Brexit) we have successfully built firm foundations for a strong and resilient organisation that enables us to deliver for, and on behalf of, our Partner Funds.

In the true spirit of partnership, our development has continued to flex in the period to accommodate our customers' changing needs, our growing capabilities, a demanding regulatory agenda, and the pressures caused by the pandemic.

Building a strong and sustainable organisation

The last few years have highlighted the importance of a robust, resilient and flexible organisation. We saw another successful year for external reviews, achieving clean audit opinions for the Company, Authorised Contractual Scheme (ACS) and our Alternatives structures. We also achieved an unqualified opinion of our controls assurance (AAF 01/20) and ISO27001 Information Security Accreditation. We also assessed our strategic approach to data management ahead of further work to build on our operating model resilience in the coming years.

Reflecting our business model's reliance on outsourcing, we enhanced our oversight of contract life cycle management. With this in place, we concluded the re-procurement of several material contracts including the external and internal auditors; our voting and engagement provider; and our research service contracts; as well as contract extensions for our Third-Party Administration and Depositary services and ICT Managed Services provision.

Corporate Strategy - Our Progress continued

Strengthening our partnerships

Reflecting the importance of maintaining contemporary governance, we have worked closely with our Partner Funds to review and update our shareholder governance framework to ensure we maintain effective decision making and strong oversight.

We continue to work across the LGPS and have been invited to be part of the Scheme Advisory Board's working group looking at the development of the LGPS Code of Cost Transparency, which will continue into the next reporting period.

We use the strength of our collective voice to represent Partner Funds through our engagement with industry. We contributed to consultations such as the Department for Levelling Up, Housing and Communities' (DLUHC's) consultation on climate change reporting, and the FCA's discussion paper on Sustainability Disclosure Regulations. Our representation on industry association boards and committees remains an important approach to enabling our collective voice on behalf of Partner Funds to be heard. Maintaining a close relationship with our Partner Funds is at our heart.

Feedback in the 2022 Annual Satisfaction Survey of our Partner Funds remained very positive, while our fifth annual conference held in September 2022 was viewed as our most useful and effective to date, with 65% of respondents rating the conference as 'excellent' (a 5% increase on 2021).

Future activities

We will continue to review our operating model to ensure we deliver for our Partner Funds. With firm foundations, we are working with our Partner Funds to evolve our funding model and capital structure, to ensure they better reflect our current business as we have matured through our start-up phase. As a more steady-state enterprise, we can also consider how best to benchmark ourselves against other large asset owners, with a view to continuing to learn from others as we pursue our purpose of making a difference for the LGPS.
In the year ahead we will procure an enterprise risk and a customer relationship management system to help streamline our management and reporting processes.

Beverley, East Riding

FINANCIAL REVIEW

Fiona Miller
Deputy CEO

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"We have delivered in line with our strategic objectives, while ending the period under budget and with our capital position remaining strong."

As discussed earlier in this report, the world around us continues to provide challenges that we need to understand and navigate our way through – whether the implications of the war in Ukraine, the political dynamics and cost of living crisis in the UK, or the ongoing market turbulence. As such, it is particularly pleasing to be able to say we have delivered in line with our strategic objectives, while ending the period under budget and with our capital position remaining strong.

The assets we are responsible for managing continued to grow, with £28.3bn of assets within the ACS, and an additional £2.3bn committed to private markets, taking total commitments £12.0bn.

We are currently working with our Partner Funds on further propositions, so we anticipate remaining in our growth phase for the next couple of years.

As such our costs are split into the following categories: ongoing costs, which include running a regulated company ('governance'); managing assets ('ACS management' and 'Private Markets management'); developing and launching new funds ('development'); and investment advisory services ('advisory').

EXPENSES BY CATEGORY £m (*2021/22 comparators shown in brackets)	
Governance	£3.4m (£3.2m)
ACS management	£12.2m (£10.1m)
Private markets management	£6.8m (£5.8m)
Development	£2.7m (£1.5m)

Although Border to Coast aims to operate on a cost recovery basis, marginal profits may be retained, subject to shareholder approval. We are reporting a £1,133k profit after tax (2022: £328k profit after tax) for the financial year. Total expenses of £25.1m (2022: £20.6m) were incurred in the year and recharged back to the Partner Funds.

ASSETS AT AT 31 March 2023 (*2021/22 comparators shown in brackets)	
ACS	£28.3bn (£28.6bn)
Private market commitments	£12.0bn (£9.7bn)
Number of Partner Funds invested	11 (11)

Operating model efficiency	
Delivery to operating budget	£1.14m/5% underspend (£0.33m/2% underspend)
Profit after tax	£1.14m (£0.33m)
Total expenses	**£25.12m (£20.64m)**

Financial review continued

Capital

We are authorised by the FCA as a Collective Portfolio Management Investment Firm that conducts MIFID business and is classed as a MIFIDPRU Investment Firm. We are therefore subject to the requirements of the General Prudential Sourcebook, the Prudential Sourcebook for MIFID Investment Firms (MIFIDPRU) and the Interim Prudential Sourcebook for Investment Businesses (Chapter 11) for capital requirement purposes. As a corporate entity regulated by the FCA, we have an obligation to ensure there are adequate measures in place to monitor current – and plan for future – financial resilience. Each year we undertake a formal process to determine the level of capital necessary to support the risks relevant to our business which is approved by the Board.

We also assess the impact on capital adequacy prior to the launch of each new proposition or other significant change to the business. In addition to this, the Board sets an additional capital buffer level to ensure that we remain above the level required by the FCA.

Liquidity

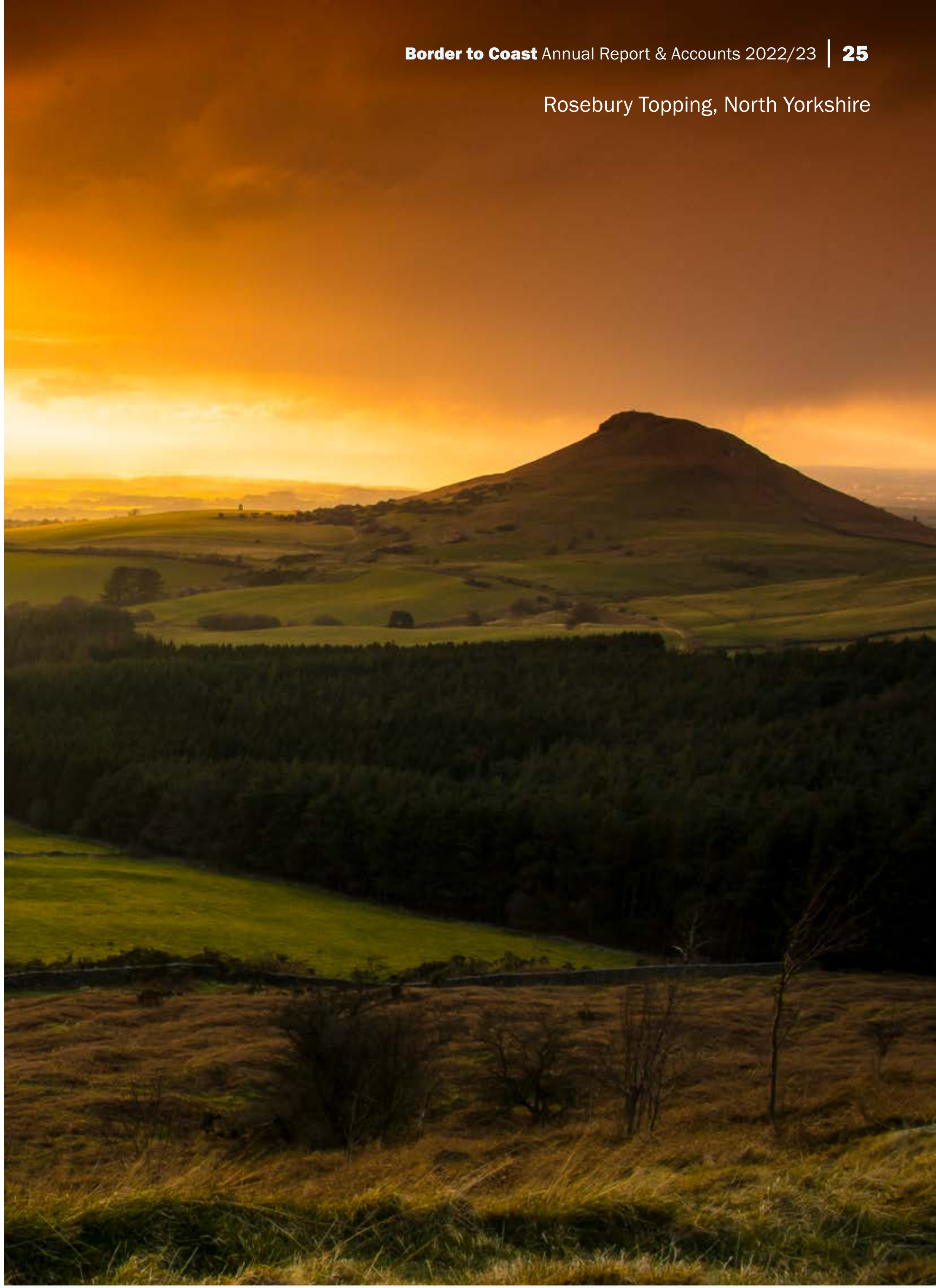
As well as it being good business practice, the FCA requires us to ensure the Company has sufficient liquidity to meet our financial obligations as they fall due. Our Partner Funds have agreed to pay in advance to ensure the Company can at all times remain cash flow solvent. Surplus liquidity is invested in AAA-rated money market funds (as at 31st March 2023: £14.4m [2022: £7.7m]) with our short-term working capital held in a current account (as at 31 March 2023: £3.4m [2022: £3.5m]).

Tax

We comply with tax law and practice in all territories in which we operate, including the UK, which is our main place of business. Compliance means paying the right amount of tax, in the right place, at the right time, and involves disclosing all relevant facts and circumstances to the tax authorities. It is our intention to act in accordance with not just the letter of the law, but the spirit of the law. As such, this means not aggressively pursuing tax loopholes or adopting unreasonable tax filing positions.

Equally, one of the objectives of pooling (as set by the UK Government) was to deliver cost savings for our Partner Funds. While our Partner Funds are tax exempt, as a corporate entity, we are not. To deliver on the objective set by the UK Government, any taxes should therefore be minimised. To balance these two elements, we do not seek to implement convoluted or aggressive tax planning strategies. We proactively engage with HMRC, in collaboration with other pools that are of a similar structure, on issues such as VAT, corporation tax, transfer pricing and global investment taxes.

We seek to ensure that the investments we make on behalf of our Partner Funds are based wherever possible on their tax-exempt status. With the support of our tax advisors, we have undergone an annual review to ensure our current and future financial procedures and organisational structure remain regulatory compliant and tax efficient.



Rosebury Topping, North Yorkshire

Bamburgh Castle, Tyne and Wear

Outlook for 2023/24

The shareholders have unanimously approved the budgeted expenditure for the next financial year at £28.8m (2022: £21.8m). The increase reflects not only the additional capabilities that our Partner Funds will be able to take advantage of in 2023/24, including supporting our Partner Funds' growing Responsible Investment needs and the additional regulatory requirements but also demonstrates the commitment of our Partner Funds to support us with continuing to build and grow a resilient and sustainable business for the longer term.

The primary cost driver, headcount (which drives salaries and associated costs), is expected to increase by 15% from 22/23 to an average of 142 in the year 23/24.

Going concern

Following a robust assessment of the Group's financial and liquidity forecasts, cash position, regulatory capital position, principal risks and other relevant matters, the Directors are satisfied that the financial statements of the Group can be prepared on a going concern basis as they do not intend to liquidate the Group or Company or to cease its operations.

We have continued to monitor the ongoing situation in Ukraine and whilst deplorable on a humanitarian basis this has not caused us any going concerns issues.

During March 2023 the collapse of the US Silicon Valley Bank, closely followed by two smaller banks in the US and issues at Credit Suisse sent ripples across the banking sector. Having learned the lessons from previous financial crises the regulators in both the US and Switzerland stepped in promptly and successfully prevented further contagion. Having reviewed both our corporate exposure and underlying investment exposure there is no impact on the business' ability to operate as a going concern. Taking this, and the Group's and key outsource partners' operational resilience, into account, there are no material uncertainties that could cast significant doubt over the Group and Company's ability to continue as a going concern for at least a year from the date of approval of the financial statements.

RISK MANAGEMENT

Border to Coast's Risk Management Framework forms an integral part of the processes and decision-making of our Board and Executive.

Based on the financial industry's standard 'three lines of defence' model, it helps us to identify and manage risks in line with our risk appetite and to take reasonable steps to mitigate those risks that could result in significant financial loss, harm to our Partner Funds, or reputational damage.

Governance and culture are fundamental underpins to the risk management framework. The Board and Executive have striven to build a culture that is open and committed to learning when it comes to identifying and managing risk.

Three lines of defence

FIRST LINE

Investment and corporate functions

Border to Coast's function heads lead on identifying and management risks in their area, including implementing and maintaining effective controls.

SECOND LINE

Risk and compliance

Border to Coast's risk and compliance team independently assesses risks and provides challenge and oversight.

THIRD LINE

Audit

Internal audit provides risk-based assurance over the company's governance, risk and control framework. The Board Audit Committee oversees their work.

Risk management governance structure

The Board has ultimate responsibility for ensuring the adequacy and effectiveness of risk management, and the Board Audit Committee and Board Risk Committee provide regular oversight, challenge and guidance. In addition to assurance provided from internal and outsourced functions, certain third-parties provide additional assurance, for example our external auditors KPMG LLP through the provision of our controls assurance (AAF 01/20) report; internal auditor; and United Register of Systems, which provides our ISO27001 certification.

Key developments

In the year, our risk management development priorities included further strengthening our risk reporting to the Executive and Board; the embedding of an overarching Investment Risk Management Policy introduced the previous year; and implementation of our Internal Capital Adequacy and Risk Assessment (ICARA) process, introduced under the Investment Firms Prudential Regime (IFPR) that came into effect in 2022 (and replaced the Internal Capital Adequacy Assessment Process, ICAAP, process previously used). We also expanded our second-line risk function capability with the addition of an Investment Risk Manager in September 2022.

PRINCIPAL RISKS


Surrey

We have identified 12 principal risks which can be grouped into four categories:

Strategic risk:
The risk that we are unable to meet our strategic objectives, or that they become misaligned with our mission and values.

Investment risk:
The risk that the propositions we manage under perform or breach the risk tolerances we set out in the governing documentation for those propositions.

Financial risk:
The risk that we maintain insufficient capital and/or financial resources to meet our financial and regulatory obligations.

Operational risk:
The risk of loss or missed opportunity resulting from inadequate or failed internal processes, people or systems, or from external events that impact our operations.

A description of our principal risks, how we mitigate them, and any key changes during the year are shown on pages 29 to 32.

Risk	Description	How we mitigate the risk	Changes during 2022/23
Strategic risk	**1. Strategic plans** The risk that our strategy is flawed, or we are unable to execute the strategy and fail to deliver our strategic objectives.	Our strategic plan is developed in collaboration with our Partner Funds and is subject to review and challenge. Progress against the plan is monitored by the Executive and Board.	We have made significant progress with the development of propositions and additional capabilities to meet our Partner Funds' needs into the future. We have actively managed people risk as society emerged from the pandemic and embraced new ways of working, to mitigate impact on strategic delivery. We are also looking beyond the usual 3-year planning horizon to support Partner Funds' long term needs in a manner that is both resilient and sustainable.
	2. Partner Fund concentration Our customer base is our 11 Partner Funds. This gives concentration, has the potential to impact the viability of individual propositions, should a particular proposition become over-reliant on one Partner Fund.	We work closely with our Partner Funds to create and maintain suitable and attractive propositions that are sustainable through the economic cycle.	While there will continue to be exposure to Partner Fund concentration, currently no propositions consist of a single investor. As proposition offerings evolve so will our exposure to this risk, and we continue to monitor and manage concentration risk as our range increases providing Partner Funds with choices and opportunities to meet their strategic asset allocation needs.
	3. Change management implementation and oversight The risk that our significant development programme leads to the material failure of our strategy to deliver the benefits of pooling.	We have a robust change methodology in place, supported where relevant by qualified asset transition managers and advisors, to enable us to oversee programme delivery and to manage the associated risks.	The year saw the delivery of a significant change programme. The 2022/23 annual review of our strategic plan included consideration of our change agenda and capacity, to enable us to maintain and further build capability and performance.
	4. External political environment Our Partner Funds operate in a political landscape which is shifting. This could change Partner Fund investment needs and/or lead to a divergence in Partner Fund requirements, reducing pooling opportunities. The current political landscape could also affect the prioritisation of the pooling agenda within central government.	We work closely with our Partner Funds, like-minded asset owners/managers and other third parties to understand the implications of the changing external environment on strategic objectives and how this might change the strategic capabilities required to support our Partner Funds.	We engaged in a range of topics in conjunction with our Partner Funds over the period including: responsible investment; greening finance; DLUHC's consultation on climate change reporting; the FCA discussion paper on sustainability disclosure requirements; government pooling policy; and managing the implications of world events. Whilst we undertake coordinated and carefully considered activity to mitigate political risks, where practicable, we recognise there are limitations to the influence we can have on certain external factors, and so continue to explore how to strengthen our resilience to factors outside of our control.

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Risk	Description	How we mitigate the risk	Changes during 2022/23
Strategic risk	**5. Climate change** The risk that our approach to climate change is inappropriate or inadequate and becomes detrimental to achieving our strategic objectives.	We have a well-developed and effective Responsible Investment Policy and a dedicated Climate Change Policy. These cover risk analysis within our investment process; and engagement with portfolio companies directly, through our partnership with Robeco, via a number of collaborations with other asset owners, and by engaging with policy makers. We also recognise that we face direct climate risks to our organisation. At the operational level, Border to Coast has a low carbon footprint; we have a single office in central Leeds, with electricity sourced from renewables. As a result, our operational emissions are minimal.	Working closely with our Partner Funds we published our Roadmap to Net Zero in October 2022. We take a long-term outlook to our strategy, with the roadmap setting out our detailed implementation plan for how we will deliver our commitment to achieve net zero emissions by 2050 or sooner. We continued to embed ESG factors into investment decisions across all asset classes and develop our engagement strategy to complement our net zero pledge, and to support our Partner Funds in achieving their aims.
Investment risk	**6. Partner Fund outcomes** The risk that our propositions do not meet our Partner Funds' desired outcomes.	Our propositions are extensively tested prior to launch and reviewed annually to assess their continued appropriateness for Partner Funds requirements. This is monitored through our Investment Committee, which also oversees ongoing performance of the propositions. Performance reporting is prepared for quarterly review meetings with our Partner Funds.	During the year, we have held regular in-depth quarterly review meetings with our Partner Funds and their advisors. We also commissioned a review of our external investment manager process as our Global Equity Alpha fund approached its third anniversary. The review concluded that there is a robust and appropriate set of procedures and processes in place, and a way of operating that accounts for material risks and opportunities.
	7. Liquidity The risk that our collective investment vehicles do not hold sufficient liquidity to meet Partner Funds' requests within their required time frames.	The ACS Prospectus, the Investment Risk Management Policy and the liquidity monitoring framework set out management and oversight arrangements. The proposition design process incorporates an assessment of both investment capacity and redemption liquidity risk profile.	We further embedded our liquidity monitoring arrangements as the breadth of our investment capabilities grew through the year. This helped ensure the continuing effectiveness of our liquidity risk management. We also re-procured and implemented portfolio risk management software to enhance our analysis, monitoring, and risk management.

Risk	Description	How we mitigate the risk	Changes during 2022/23
Financial risk	**8. Credit and liquidity** The risk of an adverse impact on the company due to credit risk exposure in relation to balance sheet assets held and associated counterparty failure or having insufficient resources to meet financial obligations as they fall due.	We hold a prudent level of capital, with a buffer over our minimum regulatory requirements, including those assessed using our ICARA process. Liquidity metrics are monitored against risk limits. Monitoring is via the Executive Committee with oversight by the Board Risk Committee.	We evolved our capital and liquidity assessment approach as we implemented processes to meet the UK's IFPR requirements that came into effect in 2022 (replacing the previous capital assessment process). We also introduced further refinements to our wind-down planning and risk scenario analysis.
Operational risk	**9. IT systems availability, cyber threats, and performance** The risk that the IT systems operated and relied on by the company do not operate as intended. This includes modelling the stability, resilience, and capacity of the company's IT platforms and systems.	We undertake an annual review of our business continuity and disaster recovery plans and consider our operational resilience. We have effective processes in place that comply with ISO 27001 accreditation under the information security standard and require all material outsource providers have this, or an equivalent, accreditation.	During the year we maintained our ISO 27001 accreditation. Business continuity plans were maintained, with all colleagues able to work remotely with very little technical disruption, should the need arise. We implemented our Operational Resilience Policy, which was approved by the Board Risk Committee in February 2022. We have continued to identify and implement enhancements to operational process as appropriate.
	10. People: key person availability and dependency As a relatively new company outside traditional asset management hubs it is important for us to recognise and manage the risk of recruiting and retaining the right calibre of people. Increasing demand for certain skillsets has caused some challenges in relation to recruitment and retention. In addition, our significant development and change agenda can place a burden on key colleagues.	We work with our recruitment partners to identify cost-effective approaches to attracting high-calibre candidates. We have embedded succession planning, performance review, and personal development processes, and ensure colleague wellbeing is central to our culture. We undertake coordinated capacity and resource management across the company.	We have further increased the number of colleagues, by 22 over the year, growing our headcount to 138 at 31 March 2023. The Board Remuneration Committee reviewed our Employee Value Proposition and have engaged our Partner Funds on enhancements to our remuneration strategy and structure, to strengthen our ability to attract and retain high-calibre colleagues.

Risk	Description	How we mitigate the risk	Changes during 2022/23
Operational Risk	**11. Outsourcing** By design, we have a high reliance on third parties as we have outsourced several of our critical and important operational functions. Our key risk in this area is that these third parties fail to deliver agreed services, leading to material operational disruption, a failure to deliver our business objectives, and severe reputational damage. This reliance on third parties may also give rise to counterparty risk.	Our outsourcing framework includes monitoring and management of arrangements, with established controls in place, to ensure Partner Funds do not face an increased level of risk due to outsourcing. Third parties are monitored and held to account in regular management and service meetings, where service performance is reviewed. Associated risk information is prepared by management and monitored, with governance via our executive and board risk committee.	We continued to oversee our outsource partners and worked closely and supportively with them. We introduced enhanced outsourcing risk management monitoring and reporting, and updated our outsourcing policy in June 2022. Operational resilience analysis was enhanced during 2022, and our policy was refreshed in February 2023.
	12. Regulatory compliance and change The continuing evolution and breadth of the regulatory environment including for financial services, and our obligations to certain public sector regulations, means there is a risk of a failure of our company's activities, polices, processes, and procedures that leads to regulatory requirements not being met.	We carefully manage the implementation of regulatory change, which receives Executive and Board committee-level oversight. The Senior Managers and Certification Regime is being embedded across the company, which supports regulatory compliance. The annual compliance monitoring programme reviews adherence to applicable FCA regulatory requirements, and the compliance function oversees adherence with non-UK financial services regulations that apply to the Company.	Following a strengthening of our compliance function in 2021/22, we further developed the content of regulatory horizon scanning across 2022/23 and have improved our management and monitoring of activity required to address regulatory change. Recognising the growing in scale and complexity of our operations as per our strategic plan, we have continued to focus on how we learn from risk incidents when they have occurred, to further enhance operational and regulatory risk mitigation and controls.

GOVERNANCE

Flamborough, East Riding

BOARD OF DIRECTORS AND COMPANY SECRETARY

Chris Hitchen
Chair

Appointed 23 January 2018

Chris has more than 35 years' experience in the UK pensions and investments industry. For nearly 20 years he led the Railways Pension Scheme, a large multi-employer pension-pooling arrangement, first as CIO and then as CEO. As well as chairing Border to Coast, Chris is a trustee and investment committee chair for the National Employment Savings Trust (NEST) and the Chair of the Nuclear Liabilities Fund. He is also a director of the International Centre for Pensions Management and the Finance and Investment Board of the Institute and Faculty of Actuaries.

Rachel Elwell
Chief Executive Officer

Appointed 23 January 2018

Rachel joined Border to Coast as its first CEO following a 20 year career in pensions and institutional investment (at PricewaterhouseCoopers (PwC) and Royal London Mutual Insurance Society). In October 2020 Rachel joined the board of the Investment Association, the UK asset management industry's trade body, and in December 2021 she joined the board of Opera North. Rachel is a Cambridge maths graduate and qualified actuary.

Fiona Miller
Deputy Chief Executive Officer

Appointed 23 January 2018

After leading the government's pooling agenda, Fiona was a founding member of Border to Coast, joining from Cumbria County Council. Fiona is a Chartered Management Accountant with 30 years' experience in finance, ICT, and operational restructuring across both the public and private sectors. Fiona represents the LGPS pooling companies on the LGPS Scheme Advisory Board Investment Committee and is also a member of the Bank of England's Decision Maker Panel.

Tanya Castell
Independent Non-Executive Director

Appointed 23 January 2018

Tanya is a former senior global banker who spent most of her executive career with JP Morgan and UBS. She has served on a number of boards, including Handelsbanken plc, Multrees Investor Services, Standard Life Savings and Faster Payments Scheme. She chaired the Quality Assurance Scheme for the Institute and Faculty of Actuaries and was a pension trustee for HBOS and UBS. Tanya is a member of the Regulatory Decisions Committee of the FCA and the Bank of England's Prudential Regulation Committee and the founder of Changing the Chemistry. She is a Cambridge Computer Science graduate.

Kate Guthrie
Independent Non-Executive Director

Appointed 2 October 2020

Kate's executive career spanned financial services, pharmaceuticals, FMCG and retail. She was formerly Chief People Officer for Virgin Money. She brings experience of organisation transformation, people strategy, reward, culture change, talent and succession and performance management. She is also a Non Executive Director and People Committee Chair on the UK Defence Board. Kate was previously Chair at Lloyds Banking Group Foundation, Scotland; a trustee on the Action for Children Board (Chair of Scotland and Senior Independent Director). Kate was also a member of the Virgin Money Foundation Board.

Board of Directors and Company Secretary continued

Andrew November
Independent
Non-Executive Director

Appointed 5 February 2020

Andrew has spent more than 25 years in asset management, most recently as Head of Investment Office at Scottish Widows. He is also a Director of Bell November Consulting Ltd, a financial services consultancy specialising in business restructuring and management coaching.

Andrew is an Associate of the CFA Society of the UK. He holds an MSc in Applied Economics from the University of California at Santa Cruz, USA, and a BA in Chinese and Economics from the University of Leeds.

Cllr John Holtby
Partner Fund nominated
Non-Executive Director

Appointed 5 February 2020

John is a councillor in the East Riding of Yorkshire Council where he is the Deputy Leader, with a portfolio for Corporate Affairs including pensions, having first been elected in 2013.

He was High Sheriff in the area in 2011/12. John is an arable and livestock farmer on the land his family has farmed since 1890. He has an MA (Hons) in Land Economy from Magdalene College, Cambridge.

Cllr David Coupe
Partner Fund Nominated
Non-Executive Director

Appointed 19 October 2022

David is Chair of the Teesside Pension Fund Committee and was first elected as ward councillor for Stainton & Thornton on Middlesbrough Borough Council in 2015.

He became an executive member for Adult Health and Public Protection and Digital inclusion in 2022 and is also co-Chair on the Live Well South Tees Board.

David worked in the electronics and telecommunications industry before becoming self-employed and involved with electronic and computer systems.

Femi Sobo-Allen
Company Secretary

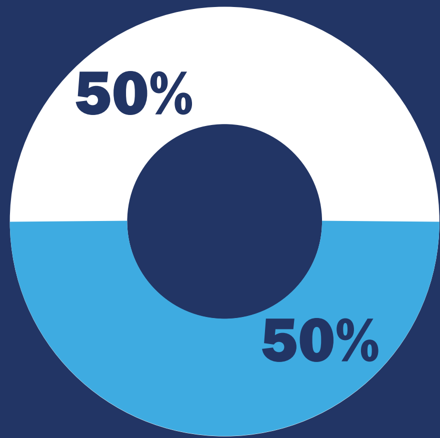
Appointed 8 November 2021

Femi has worked as a chartered secretary for over 26 years and has been a fellow of the Corporate Governance Institute since 2009. She has extensive experience in financial services having been Company Secretary for the Consumer Credit division of Provident Financial, and TD Wealth International. Femi joined Border to Coast in March 2019 as Deputy Company Secretary, was made Interim Company Secretary in November 2021 and was made permanent in June 2022. Femi left Border to Coast in May 2023 and the Company Secretary role is fulfilled by Amanda Blacker-Laybourn, the company's Head of Legal and Governance.

Board members' knowledge*	
Compliance and financial crime	8
ESG risks and opportunities	5
Finance and investment	8
Governance	4
Legal	3
Public sector	3
Strategic management and planning	6

* Number of members with knowledge

Board diversity



Female

Male

CORPORATE GOVERNANCE REPORT

Chris Hitchen
Chair

> The Board's role is to provide entrepreneurial leadership within a framework of prudent and effective controls which enable the Company to assess and manage risk.

Our governance

As Chair, it is my role to lead the Board, ensuring that it operates effectively, within a strong and sound governance framework. Its effectiveness is important, not only in ensuring the stability and sustainability of the pool but also in ensuring we fulfil our legal and regulatory duties. Border to Coast is regulated by the FCA and as such it is required to act in accordance with the 11 Principles for Business and Individual Conduct Rules.

Under the Companies Act 2006, each Director is required to display the knowledge, skill and experience reasonably expected of a person fulfilling this role, and there are seven legal duties required of each Director. The Nolan Principles of public life are also applicable to the way that each Board member conducts themselves. As we undertake our duties we abide by the principles of selflessness, integrity, objectivity, accountability, openness, honesty, and leadership.

We have also adopted relevant parts of the UK Corporate Governance Code that reflect our size and the nature of our business. Although the Code's standards are intended for publicly listed companies, we consider it is right to comply with its spirit and principles and, where appropriate, its specific provisions.

The Executive, and specifically the Head of Legal and Governance, the Company Secretary, the Chief Risk Officer (CRO) and the wider Risk & Compliance function support the Board to ensure the organisation is well run and delivering for stakeholders, as well as fulfilling its responsibility for the governance and oversight of the company in relation to the FCA's Principles for Businesses and Individual Conduct Rules, our obligations under the Companies Act 2006, and the UK Corporate Governance Code 2018.

The Board is unitary in nature. Besides the Chair, it consists of two Executive Directors, three independent Non-Executive Directors and two Non-Executive Directors nominated by our Partner Funds. As Border to Coast is wholly owned by our local government partners, it is important to us that we operate independently from, but in harmony with, our Partner Funds.

We are also working towards ensuring that the Board is diverse, reflecting our workforce and our Partner Funds.

We continue to exceed the gender diversity requirement of the Hampton-Alexander Review, which applies to FTSE companies, to have at least 33% women on company boards. This is a contributing factor in constructive and inclusive challenge around the boardroom table. We continue to consider how we can further improve Board diversity as we do not meet the requirements of the Parker Review. The Remuneration and Nomination Committee undertook a review of diversity of the Board in 2022.

The age distribution of our current Board members is as follows:

	2022	2023
40–49	1	1
50–59	5	5
60–69	2	2

Key governance changes

The Board has continued to fulfil its responsibility for oversight of the running of the business and holding the Executive to account for promoting an open and inclusive culture and establishing the values required to maintain a successful business. Among its activities, during the year the Board:

- Approved the Net Zero Implementation Plan
- Considered the Shareholder Governance Review, which included a review of the articles including those requirements of the A and B shares
- Reviewed and approved a number of new propositions, including UK and Global Real Estate Funds
- Recommended to shareholders the appointment of Cllr David Coupe following the resignation of Cllr Anne Walsh.

Two strategy 'away days' were held in the year which gave the Board the opportunity to consider the organisation's future development as well as to reflect on its own effectiveness and consider matters relating to culture and the Board's relationship with its Committees and the Executive, including their respective roles and responsibilities. The away days were also used to agree the framework for developing the 2023-26 Strategic Plan, which was recommended to shareholders for approval and subsequently unanimously approved by our Partner Funds in March 2023.

How the Board works

The Board is collectively responsible for promoting the success of Border to Coast by directing and supervising its affairs, with due regard for the interests of its shareholders, customers, employees and other stakeholders. The Board's role is to provide entrepreneurial leadership within a framework of prudent and effective controls which enable the company to assess and manage risk. It develops Border to Coast's strategic aims, for shareholder approval, along with the necessary financial resources and people are in place for us to meet our objectives, sets values and standards, reviews Executive performance, and ensures we understand and meet our obligations to stakeholders.

During the year the Board carried out a self-assessment of effectiveness including a skills analysis, building on the external review carried out in 2020. This review evidenced that the Board is made up of suitably skilled and experienced individuals with the collective knowledge and understanding of the company's markets, Partner Funds and propositions to enable them to carry out all their responsibilities effectively, efficiently and compliantly. To deepen the Board's expertise, we are seeking a Non-Executive Director with expertise in resilience, technology, information security and operational outsourcing.
Within the Board, the roles of Chair and CEO are distinct but complementary in accordance with the Corporate Governance Code which states that the Chair is responsible for Board leadership and ensuring its effectiveness in all aspects of its role.

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Warwickshire

The CEO's role is to ensure appropriate day-to-day management of the company in line with the strategy agreed with the Board and shareholders the Board. The Chair and CEO are responsible (through the Remuneration and Nomination Committee) for recommending for shareholder approval appropriate levels of remuneration.

Border to Coast recognises the importance of having diverse voices on its Board, and so has sought to include Board representation from its shareholders, the Partner Funds. The Partner Funds have nominated two appropriate individuals as Non-Executive Directors, offering their unique insight and ensuring the voice of our shareholders and customers are heard in our decision-making process. To support its effective operation, the Board has established five Board committees: the Board Audit Committee, the Board Risk Committee, the Remuneration and Nomination Committee, the Board Risk Escalation Committee and the Administration Committee. At the executive level, committees have also been created to assist the CEO and executive leadership team in its decision making and activity monitoring. Please refer to the governance diagram on this page.

The Board met 10 times (eight Board meetings and two strategy away days) during the year, when it considered a range of items relating to the company, its business and performance. The Chair continued to hold private meetings of the Non-Executive Directors without the presence of the Executive prior to the ordinary quarterly meetings. This page shows attendance at meetings for the Board and its committees The number in brackets shows the number of meetings each Director was eligible to attend.

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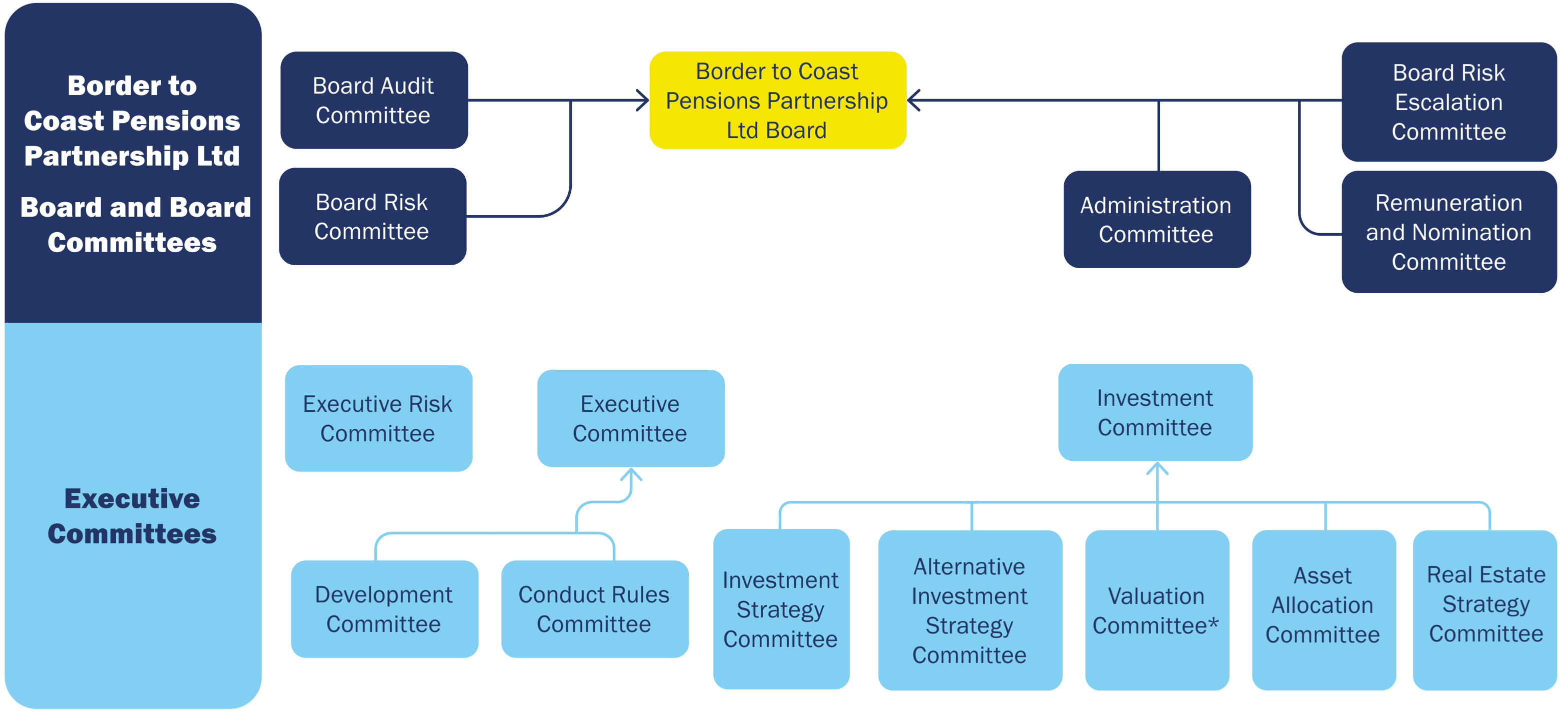

	Board (8)	Board Audit Committee (4)	Board Risk Committee (4)	Remuneration and Nomination Committee (5)	Board Risk Escalation Committee (0)	Administration Committee (0)
Chris Hitchen	8 (8)	1+	4 (4)	5 (5)		
Tanya Castell	8 (8)	4 (4)	4 (4)	-		
Cllr David Coupe	4 (4)	1 (2)	-	-		
Rachel Elwell	8 (8)	4+	4+	5+		
Kate Guthrie	8 (8)	-	-	5 (5)		
Cllr John Holtby	7 (8)	-	-	5 (5)		
Fiona Miller	8 (8)	4+	4+	-		
Andrew November	8 (8)	4 (4)	4 (4)	-		
Cllr Anne Walsh	2 (4)	1 (2)		-		

+ attended by invitation and was not present for private business.

Information regarding the Board Audit Committee, the Board Risk Committee and the Remuneration and Nomination Committee can be found on pages 42 to 49.

*The Valuation Committee has a direct reporting line into the Board Audit Committee.

Corporate Governance Report continued

The Administration Committee

The Administration Committee can be called at short notice to make emergency decisions on matters reserved for the Board which may arise between meetings where there is insufficient time or quorum to convene a full Board meeting. The Chair and quorum for each Administration Committee shall be decided by the Board on a case-by-case basis but the quorum must be a minimum of two, of whom one shall be an independent Non-Executive Director. Although all Directors are invited to these meetings, there is no expectation that they must all attend other than if they have been included in the agreed quorum. The Administration Committee did not meet in the financial year.

The Board Risk Escalation Committee

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The Board Risk Escalation Committee, can be called to meet as required to enable consideration of matters escalated from the Executive in relation to investments that may potentially fall outside the Board's risk appetite. The chair and quorum for each Board Risk Escalation Committee shall be decided by the Board on a case-by-case basis, but the quorum must be a minimum of two, of whom one shall be the Chair. There were no meetings of the Board Risk Escalation Committee in the period.

Board composition

When they were appointed, Cllrs John Holtby, Anne Walsh (term ended 30 September 2022) and David Coupe appointed 19 October 2022 were assessed as being not independent given their connection to our Partner Fund shareholders. All other Non-Executive Directors were assessed as being independent upon appointment, including our Chair, Chris Hitchen. Andrew November was re-elected at the Annual General Meeting (AGM) in 2022 to serve a further four years. Given the shareholders' ability to remove and appoint Directors, Border to Coast's Non-Executive Directors are not subject to annual re-election at the AGM. Rather, they enter into an agreement to serve a term of office approved by the shareholders, which can be extended at the agreement of the shareholders, the company and the individual Director.

The dates of expiry for Directors' terms are shown below:

Kate Guthrie	**30 September 2023**
Cllr John Holtby	**30 September 2023**
Tanya Castell	**30 September 2024**
Chris Hitchen	**30 September 2025**
Cllr David Coupe	**30 September 2025**
Andrew November	**30 September 2026**

The Board recommended the appointment of Cllr David Coupe as a Non-Executive Director to shareholders; this was approved and he was appointed for a term of three years.

Burghley Almhouses, Lincolnshire

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Tyne and Wear

Stakeholder Engagement

As a Board we recognise the importance of maintaining effective relationships with our key stakeholders and understanding their views in our decision making – this includes colleagues, strategic partners, and, as customers, our Partner Funds. As a people business, we recognise the importance of hearing the voice of our workforce. While we recognise the potential benefits of appointing a workforce director, as a small company we believe it is possible to share information to and from colleagues using other methods. The Board also considers that due to the communication methods and routes with colleagues that there is no requirement for a workforce advisory panel – this includes regular 'Town Halls', newsletters, Board debriefs, informal lunches with colleagues, and focus groups.
In 2022 we held our first formal annual colleague engagement survey, which will form an additional mechanism to understand the views of our colleagues. The Executive and the Board keeps under review ways in which we engage with colleagues and enable them to have a voice.

We also maintain a close relationship with our key suppliers – this includes, for our material and key service providers, regular operational meetings, quarterly service review meetings, and annual strategic review meetings. Information on the state of our relationship with these suppliers is shared with the Board.

As a customer-owned business, we have a clear focus on serving our Partner Funds as customers – how we do this is outlined in detail in our Governance Charter. Among our activities we maintain regular ongoing dialogue with our Partner Funds to understand their objectives and requirements, and work closely with them in the design and launch of any new capabilities. We hold regular meetings with Partner Fund Officers in the 'Officer Operational Group' to discuss key customer related issues and join quarterly meetings with the Joint Committee, which consists of the Pension Committee Chairs from each of our 11 Partner Funds.

In addition to this we join our Partner Funds' Pensions Committee meetings where appropriate to provide updates and to further deepen our understanding of their needs.
In addition to this ongoing dialogue, we take additional feedback through both an Annual Conference and an annual survey with our Partner Funds. The results of both, with an associated action plan, are shared with both the Board and our Partner Funds.

Conflicts of interest

Directors have a statutory duty to declare any interests, covering (but not limited to) external directorships. The company and the Board have assessed all external positions of serving Directors to identify those which may give rise to conflicts, authorising those they recognise as appropriate with reference to the shareholders for approval where required.

Board effectiveness and skills

At its meeting on 20 September 2022 the Board considered a questionnaire for an internal effectiveness review of the Board and its Committees. Responses to the questionnaire were collated and analysed by the Company Secretary. Actions were proposed and discussed with the relevant Committee Chairs, the Chair of the Remuneration and Nomination Committee and the Chair of the Board prior to being presented to the Remuneration and Nomination Committee and, subsequently, the Board at meetings in March 2023. The results presented an improving assessment of the Board's overall effectiveness, with some areas to focus on as outlined in the section below. The results of the review showed that, overall, the committees were effective but, like the Board, actions to enable development were proposed.

Board development

The Chair has a responsibility to agree with Directors their development needs. The Company Secretary ensures that ongoing training is provided for Directors to refresh or enhance their skills and knowledge. The Board effectiveness and skills review informed this work and during the year the Directors received briefings to develop their knowledge and understanding of key business issues.

The main training topics were:

- our Partner Funds
- directors' duties
- financial crime
- climate change strategy
- net zero strategy
- global real estate
- depositary duties
- green bonds and UK opportunities.

Hadrian's Wall, Tyne and Wear

REMUNERATION AND NOMINATION COMMITTEE REPORT

Kate Guthrie
Independent Non-Executive Director

Purpose

The committee approves remuneration strategy, and its application to ensure alignment with performance related outcomes and shareholder interests. It also assists the Board in maintaining an appropriate culture within the business by actively participating in the approval of and overseeing the application of people policies.

Committee members

The Board Remuneration and Nomination Committee met five times during the financial year 2022/23. The committee consists of three members; Chair Kate Guthrie, Chris Hitchen and Cllr John Holtby. The Chair satisfies the requirement for at least 12 months' previous experience of remuneration committee work, having over 30 years of relevant experience. Kate Guthrie is an independent Non-Executive Director and Cllr Holtby is a Partner Fund nominated Non-Executive Director. Chris Hitchen is the Chair of the Board. Attendance at the meetings of the committee during 2022/23 is outlined in the Corporate Governance statement on page 38.

The Chair of the Committee attends the AGM, where shareholders can ask questions regarding all aspects of the committee's role and work. The CEO and the Chief People Officer (CPO) attend all meetings but, in line with the principle that no individual should be able to affect their own terms, leave for agenda items relating to themselves. The committee holds private sessions with the CEO, the CPO and the Committee Adviser separately throughout the year. The Committee also is attended by the CRO when appropriate and relevant.

Roles and responsibilities

The committee's duties as covered by its Terms of Reference are:

REMUNERATION

- Determine, and recommend to shareholders where relevant, the overall reward framework for the senior Executive and management team
- People strategy and policies
- Review pay information from a range of sectors to advise on remuneration policies
- Oversee changes to the employee benefit structure.

NOMINATIONS

- Talent management and succession planning for the senior Executive and management team
- Board succession planning, including the appointment of one Partner Fund Non-Executive Director
- The Chair of the Remuneration and Nomination Committee conducts the appraisal of the Board Chair.

CORPORATE ETHOS

- Consideration of people risk
- Establish and review the outputs of the culture audit and engagement survey to develop our culture
- Regular review all aspects of the people strategy and operational/people risk management during the pandemic.

Remuneration and Nomination Committee Report continued

Focus during the year

Over the year the Committee:

- assessed the approach to people risk
- approved the Remuneration Statement, Remuneration Policy and the Expenses Policy to align with the company's culture and values
- the approval of a variable pay scheme and approved the plan details (to commence from April 2023)
- reviewed communication to support colleague understanding of the Employee Value Proposition
- proposed to shareholders the remuneration of executive directors
- oversaw the company's approach to performance management
- reviewed the completion of activities required to comply with the Senior Manager Certification Regime
- considered the IFPR (Investment Firms Prudential Regime) Remuneration Regulations, the remuneration rules for the new UK IFPR, and the AIFMD (Alternative Investment Fund Managers Directive), assisted by the external remuneration advisor, PwC
- considered Board and Executive succession planning and conducted a review of Board diversity
- considered how colleagues' voices are to be reflected in decision making, including discussions about remuneration
- reviewed the results of the colleague engagement survey
- reviewed, revised and recommended its Terms of Reference to the Board for approval.

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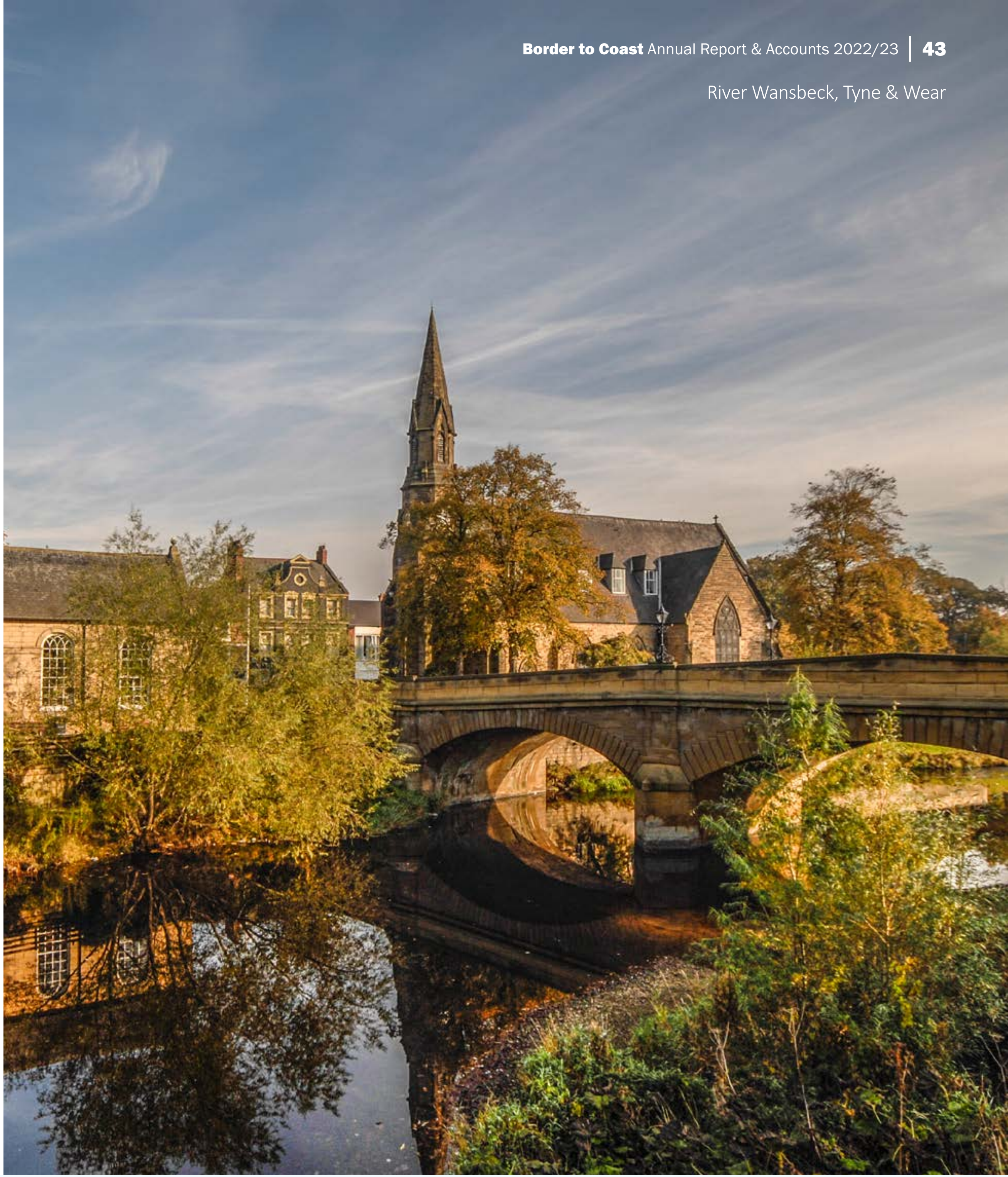

River Wansbeck, Tyne & Wear

BOARD AUDIT COMMITTEE REPORT

Andrew November
Independent Non-Executive Director

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Purpose

The committee helps the Board meet its responsibilities for monitoring the integrity of the group's financial statements and the performance and objectivity of its external and internal auditors. It also oversees the effectiveness of the group's financial controls.

In conjunction with the Board Risk Committee, the committee ensures that the risk management and internal control systems (encompassing financial, operational and compliance controls) are monitored and reviewed at least annually.

The committee holds private sessions with internal audit and external audit throughout the year to discuss the effectiveness of the functions and any issues arising from the audits.

Committee members

The Board Audit Committee met four times during the financial year 2022/23. The committee consists of three members, Chair Andrew November, Tanya Castell, Chair of the Board Risk Committee, and Cllr David Coupe, who replaced Cllr Anne Walsh as a Partner Fund nominated Non-Executive Director in October 2022. Andrew November and Tanya Castell are independent Non-Executive Directors. The Board considers that the committee possesses the recent relevant financial experience required by the committee's Terms of Reference and the UK Corporate Governance Code 2018.

Having Tanya as a member of the committee promotes a good understanding of risks and issues, and efficient communication between the Risk and Audit Committees. Attendance at the meetings of the committee during the period is outlined in the Corporate Governance statement on page 38. The Chair of the Committee attends the AGM, where shareholders can ask questions regarding all aspects of the committee's role and its work. The CEO, the Deputy CEO, CRO, and Head of Finance are invited to attend meetings. Internal and external audit also attend meetings of the committee.

Roles and responsibilities

The committee's duties as covered by its Terms of Reference are:

FINANCIAL REPORTING

- Oversee the integrity of the financial statements, in accordance with relevant policies. Review and challenge where necessary to enable recommendation for Board approval
- Report to the Board on significant financial reporting issues and judgements
- Review other statements that require Board approval and contain financial information
- Review the effectiveness of financial controls and financial reporting
- Approve the Border to Coast ACS accounts
- Approve the Financial Accounting Policy to be used for the Border to Coast Pensions Partnership Ltd Group Accounts and the Border to Coast ACS.

INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEMS

- Keep under review the company's internal financial control systems that identify, assess, manage and monitor financial risks
- Monitor the availability and use of capital and liquidity in the company
- Received the annual Whistleblowing report.

INTERNAL AUDIT

- Approve internal audit plan and charter to ensure alignment with key business risks and ensure actions are addressed
- Assess annually, and monitor, the effectiveness of the internal audit function.

EXTERNAL AUDIT

- Make recommendations to the Board and shareholders regarding the external auditor's re-appointment
- Review and approve the annual AAF report
- Oversee the relationship with the external auditor and approve the fees
- Monitor the external auditor's process for maintaining its independence and compliance with relevant law, regulation and professional standards
- Approve the policy for the provision of non-audit services by the external auditor
- Receive feedback from the external auditor without the presence of the Executive.

Whitby, North Yorkshire

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Focus during the year

Over the year the Committee:

- oversaw the selection procedures for the appointment of internal and external auditors and agreed the related fees
- approved the internal audit plan and charter, reviewed the internal audit reports and recommendations, and monitored the agreed management actions to improve internal controls, risk management and governance
- reviewed and approved the ACS Letter of Representation, its Annual Report and Accounts, and authorised the Executive Directors to sign off the accounts
- recommended to the Board approval of Border to Coast's Group Annual Report and Accounts, Going Concern assessment and the Letter of Representation and reviewed the CASS report
- scrutinised the Assessment of Value report and recommended it to the Board for approval
- considered the Task Force for Climate Related Financial Disclosures report
- received and discussed the AAF Type II controls assurance for year ending 31 December 2022
- received the external auditor's FRC Audit Quality Review 2022 report
- considered the performance of the external and internal auditors during the year
- reviewed and approved policies in accordance with the Policy Governance Framework
- reviewed and approved the accounting policies for the Border to Coast Pensions Partnership accounts for the year ended 31 March 2022 and the Border to Coast Pensions Partnership ACS accounts for year ended 31 March 2022
- reviewed, revised and recommended its Terms of Reference to the Board for approval.

Whitby Abbey, North Yorkshire

Internal audit

Following a public procurement process Deloitte was re-appointed as internal auditor from April 2023 for an initial period of four years with the option to extend the contract for a further two years.

The Audit Committee approved the annual internal audit plan, reviewed internal audit reports and received regular progress on delivery of the plan from the internal auditor. Audits are undertaken on a risk-assessed basis and recommendations to improve internal controls, risk management, and governance are agreed with management. The committee has monitored the effectiveness of internal audit during the year and is satisfied that internal audit continues to be independent from the business, having a dual reporting line to both the Chair of the Committee and the CEO.

External audit

Following a public procurement process the shareholders at the AGM approved the re-appointment of KPMG as Border to Coast's external auditor in August 2022. The appointment is for a discretionary eight years (four plus four) with annual approval by the shareholders at the AGM. Audit Partner Tom Tyler continues to oversee the audit process. The committee considers Tom Tyler and KPMG to be independent within the meaning of regulatory and professional requirements. It also considers the objectivity of Tom Tyler and the audit staff not to be impaired. The committee's opinion is supported by the results of its annual external auditor effectiveness review.

The committee places great importance on the quality, effectiveness and independence of the external audit process. The committee approves and monitors KPMG's execution of the external audit. It also discusses all significant matters identified in KPMG's 2022/23 final audit report, including the key accounting judgements taken by management and management's responses to any audit findings.

At its meeting in November 2022, the committee reviewed the policy for the provision of non-audit services by the external auditor, where it also approved the fees for audit and non-audit services for the year ending 31 March 2023, as per the committee's Terms of Reference. The report states that any fees paid to the external auditor for work outside the scope of audit services should not exceed 50% of the total fees in any financial reporting period. Audit services cover the audit of the group's subsidiaries financial statements, the audit of the Authorised Contractual Scheme and the audit of the 10 Scottish Limited Partnerships established to support the alternative investments.

The company is to pay KPMG a fee of £108,200 for the audit of our 2022/23 consolidated and subsidiaries' financial statements and £393,000 for the audit of the Authorised Contractual Scheme and Scottish Limited Partnerships financial statements. In addition to these audit fees, we also paid KPMG a further £128,000 for its AAF work and the Client Assets Sourcebook review, both of which are audit assurance related. Of KPMG's total fee, 23% was for non-audit work which falls within the remit of the Policy for the Provision of Non-Audit Services by the external auditor. The committee considered that KPMG's independence was not compromised.

The effectiveness of external audit is assessed using measures including: a review of the quality and scope of the proposed external audit plan and progress against it; reviewing the FRC's 2022 quality review report; and monitoring the independence, professionalism, and transparency of the external auditor.

BOARD RISK COMMITTEE REPORT

Tanya Castell MBE
Independent Non-Executive Director

Page 125

Purpose

The committee ensures that the interests of the Company's shareholders and its Partner Funds are properly protected through the application of effective risk and capital management frameworks. It also oversees that the frameworks appropriately take into account the risk of harm to markets and other stakeholders.

Committee members

The Board Risk Committee met formally four times during 2022/23. The committee consists of three members – Chair Tanya Castell, Chris Hitchen, and Andrew November. The committee's Terms of Reference require that the majority of members are independent Non-Executive Directors. This is fulfilled by the inclusion of Tanya Castell and Andrew November in its membership. The committee also held three workshops with the Executive as detailed below.

Attendance at the meetings of the committee during 2022/23 is outlined in the Corporate Governance Statement on page 38. The Chair of the Committee attends the AGM, where shareholders can ask questions regarding all aspects of the committee's role and work.

The CRO attends all committee meetings, as do the CEO, the Deputy CEO and the Head of Compliance. Internal audit and external audit have also attended meetings of the committee.

Chesterton Old Windmill, Warwickshire

Board Risk Committee report continued

Cumbria

Roles and responsibilities

The committee's duties as covered by its Terms of Reference are:

RISK

- Make recommendations for the Board's approval on the group's risk strategy and risk appetite framework, including reviewing and challenging the risk appetite statements and recommending them to the Board for approval
- Review the risk management framework and oversee its implementation and operation
- Review and challenge the risk profile and material risk incident reports from the CRO, and the level of risk exposures relative to the Board's risk appetite
- Review and challenge the company's Risk Management Development Plan and monitor its progress
- Review the quarterly conduct risk report covering customer, market and colleague conduct
- Consider the risk and control assurance map.

LEGAL, COMPLIANCE AND FINANCIAL CRIME PREVENTION

- Receive reports from the relevant officers on the effectiveness of legal and regulatory compliance activities in the company, including the annual financial crime risk assessment and the money launder risk officer's report
- Approve and oversee the execution of the financial services regulatory compliance monitoring plan
- Review material risk management matters raised by the company's regulators and oversee that corrective action is taken as necessary.

CAPITAL AND LIQUIDITY

- Oversee the ICARA and recommend the associated annual report to the Board for approval
- Review and challenge the methodology, key assumptions and the results of the stress and scenario tests used in ICARA for both capital and liquidity.

REMUNERATION

- Work with the Remuneration and Nomination Committee to ensure risk management and regulation is considered within remuneration policy.

POLICIES

- Consider and, if thought fit, approve those policies delegated to it by the Board
- Consider and, if thought fit, recommend to the Board for approval those policies presented to the Committee, which the Board has reserved to itself.

CRO

- Ensure the risk and compliance functions are adequately resourced and independent
- Meet with the CRO and Head of Compliance in private without the rest of the Executive.

North Yorkshire

Focus during the year

The major risks discussed are set out in further detail in the Risk Management report on pages 27 to 32. Over the year the committee:

- oversaw management's implementation of the Risk Management Framework including adherence to the risk appetite framework and implications of major risks on the organisation
- input to advice and guidance provided to the Remuneration and Nomination Committee in relation to risk and regulatory considerations relevant to the Company's remuneration strategy
- reviewed the evolution of the Company's approach to operational resilience with the first specific operational resilience scenario assessment
- oversaw the ICARA process and outputs, and recommended the first annual ICARA report to the Board for approval
- agreed the introduction of enhanced quarterly outsourcing and supplier reporting
- received updates on the anti-financial crime risks including sanctions and exposures to higher risk jurisdictions with augmented reporting
- tracked the progress of the compliance monitoring work including any remediation activities
- reviewed an annual report on tax risk
- ensured that any regulatory breaches were handled appropriately and root causes analysed
- received financial services regulatory horizon scanning and emerging risks reporting
- held three workshops with the Executive to review and provide input to the development of the ICARA and the revised risk appetite.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

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The Directors present their report and the audited financial statements of the Group and Company for the year ended 31 March 2023.

Incorporation

Border to Coast Pensions Partnership Limited ('the Company') is incorporated in the United Kingdom and registered in England and Wales, registration number 10795539.

Principal activities

The principal activities of the Group and Company are that of investment management and, from 3 April 2019, acting as General Partner to each of the ten Limited Partnerships to facilitate the efficient deployment of the Limited Partners' capital into private equity, infrastructure and private credit investments.

Directors

The Directors in office during the period and at the date of signing this report were as follows*:

Name	Appointed	Resigned
Chris Hitchen	23 Jan 2018	–
Tanya Castell	23 Jan 2018	–
Rachel Elwell	23 Jan 2018	–
Fiona Miller	23 Jan 2018	–
Andrew November	5 Feb 2020	–
John Holtby	5 Feb 2020	–
Kate Guthrie	2 Oct 2020	–
Anne Walsh	6 Oct 2020	30 Sept 2022
David Coupe	19 Oct 2022	–

* Shareholders agree the terms of appointment for non-executive directors.

Results and dividends

The Group made a £1,143 profit after tax (2022 profit after tax: £328k).

No dividends were paid during the year (2022: £nil) and the Directors do not recommend the payment of a final dividend.

Post balance sheet events

Details of events which have occurred since 31 March 2023, and up to the date of this report, are disclosed in note 20 to the consolidated financial statements.

Political or charitable donations

During the year, the Group did not make any political or charitable donations (2021: £nil). Our colleagues have chosen to make collections throughout the period, which were donated to local charities. All amounts came directly from people within the Group and any external supporters rather than from the Group itself.

Expected future developments

Expected future developments are set out in the Strategic report on pages 15 and 16 and include the build of further investment capabilities including two Global and two UK Real Estate propositions. These are expected to lead to further increases in the level of assets under management.

Statement of directors' responsibilities

The Directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Directors' Report continued

Bridlington Harbour, East Riding

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the Group and parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of the Group and parent company's profit or loss for that period. In preparing each of the Group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they intend to liquidate the group or parent company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmation

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group and Company's auditor is unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditor is aware of that information.

Independent Auditors

The auditor, KPMG LLP, has indicated its willingness to continue in office and a resolution concerning its re-appointment will be proposed at the Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board:

Fiona Miller
Deputy CEO
Border to Coast
30 June 2023

INDEPENDENT AUDITOR'S REPORT

Sheffield, South Yorkshire

Independent auditor's report to the members of Border to Coast Pensions Partnership Limited

Opinion

We have audited the financial statements of Border to Coast Pensions Partnership Limited ("the Company") for the year ended 31 March 2023 which comprise the Consolidated and Company Income Statements and Statements of Comprehensive Income, Consolidated and Company Balance Sheets, Consolidated and Company Statements of Changes in Equity, Consolidated and Company Cash Flow Statements and related notes, including the accounting policies in note 2..

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2023 and of the Group's and parent Company's profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below.

We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard.

We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the audit committee, risk committee and inspection of policy documents as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected, or alleged fraud.
- Reading Board, Audit committee, Risk Committee and Remuneration and Nomination committee minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that Group management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgement such as pension assumptions. On this audit we do not believe there is a fraud risk related to revenue recognition because there is a limited perceived pressure and opportunity from the nature of revenue transactions.

We did not identify any additional fraud risks.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of the Group-wide fraud risk management controls

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included entries created or posted by individuals who typically do not create, or post journals and entries posted to seldom-used accounts.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and others management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements various considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies' legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's license to operate. We identified the following areas as those most likely to have such an effect: anti-bribery, employment law, FCA regulation and certain aspects of company legislation recognising the financial and regulated nature of Border to Coast Pensions Partnership Limited's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.


Staithes, North Yorkshire

Other Information

The directors are responsible for the other information, which comprises the 'Strategic Report', the 'Directors' Report', 'Our Purpose and Values', 'Our Partner Funds', the 'Highlight', 'Corporate Strategy' and the 'Governance' section of the Annual Report and Accounts. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion or any form of assurance conclusions thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

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- we have not identified material misstatements in the other information;
- in our opinion the information given in the strategic report and the directors' report for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or

the parent Company financial statements are not in agreement with the accounting records and returns; or certain disclosures of directors' remuneration specified by law are not made; or

we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 51, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Thomas Tyler (Senior Statutory Auditor) for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
1 St Peters Square
Manchester
M2 3AE
United Kingdom
30 June 2023

Consolidated Income Statement and Statement of Comprehensive Income
for the year ended 31 March 2023

	Note	2023 £000	2022 £000
Turnover	3	**26,317**	21,299
Administrative expenses	4	**(25,122)**	(20,639)
Other income		**–**	–
Operating profit		**1,195**	660
Other interest receivable and similar income	7	**267**	3
Profit before taxation		**1,462**	663
Tax on profit	8	**(319)**	(335)
Profit for the financial year		**1,143**	328
Other comprehensive income for the year, net of tax		**–**	–
Total comprehensive profit for the year		**1,143**	328

The results above all related to continuing operations.

The notes on pages 64 to 75 form an integral part of these financial statements.

Company Income Statement and Statement of Comprehensive Income

for the year ended 31 March 2023

	Note	2023 £000	2022 £000
Turnover	3	**26,307**	21,289
Administrative expenses	4	**(25,122)**	(20,639)
Other income		**–**	–
Operating profit		**1,185**	650
Other interest receivable and similar income	7	**267**	3
Profit before taxation		**1,452**	653
Tax on profit	8	**(319)**	(337)
Profit for the financial year		**1,133**	316
Other comprehensive income for the year, net of tax		**–**	–
Total comprehensive profit /(loss) for the year		**1,133**	316

The results above all related to continuing operations.

The notes on pages 64 to 75 form an integral part of these financial statements.

Consolidated Balance Sheet at 31 March 2023

	Note	£000	2023 £000	£000	2022 £000
Fixed assets					
Intangible assets	9	**56**		84	
Tangible fixed assets	10	**398**		488	
			454		572
Current assets					
Debtors:					
– amounts falling due within one year	12	**8,107**		11,473	
– amounts falling due after one year	12	**392**		2,736	
Cash at bank and cash equivalents	14	**17,822**		11,268	
			26,321		25,477
Creditors: amounts falling due within one year	15	**(11,994)**		(10,067)	
			(11,994)		(10,067)
Net current assets			**14,327**		15,410
Total assets less current liabilities			**14,781**		15,982
Creditors: amounts falling due after more than one year					
Pensions and similar obligations	16		**(392)**		(2,736)
Net assets			**14,389**		13,246
Capital and reserves					
Called up share capital	17		**13,000**		13,000
Profit and loss account			**1,389**		246
Shareholders' funds			**14,389**		13,246

These financial statements were approved by the Board of Directors on 27 June 2023 and were signed on its behalf by:

Fiona Miller
Deputy CEO
Border to Coast Pensions Partnership Limited
Registered no: 10795539
30 June 2023

The notes on pages 64 to 75 form an integral part of these financial statements.

Company Balance Sheet at 31 March 2023

	Note	£000	2023 £000	£000	2022 £000
Fixed assets					
Intangible assets	9	**56**		84	
Tangible fixed assets	10	**398**		488	
Investments	11	**–**		–	
			454		572
Current assets					
Debtors:					
– amounts falling due within one year	12	**8,065**		11,440	
– amounts falling due after one year	12	**392**		2,736	
Cash at bank and cash equivalents	14	**17,822**		11,268	
			26,279		25,444
Creditors: amounts falling due within one year	15	**(11,992)**		(10,064)	
			(11,992)		(10,064)
Net current assets			**14,287**		15,380
Total assets less current liabilities			**14,741**		15,952
Creditors: amounts falling due after more than one year					
Pensions and similar obligations	16		**(392)**		(2,736)
Net assets			**14,349**		13,216
Capital and reserves					
Called up share capital	17		**13,000**		13,000
Profit and loss account			**1,349**		216
Shareholders' funds			**14,349**		13,216

These financial statements were approved by the Board of Directors on 27 June 2023 and were signed on its behalf by:

Fiona Miller
Deputy CEO
Border to Coast Pensions Partnership Limited
Registered no: 10795539
30 June 2023

The notes on pages 64 to 75 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2021	13,000	(82)	12,918
Total comprehensive income for the period	–	328	328
Issue of share capital	–	–	–
Total contributions by and distributions to owners	–	–	–
Balance at 31 March 2022	13,000	246	13,246
Balance at 1 April 2022	**13,000**	**246**	**13,246**
Total comprehensive income for the period	**–**	**1,143**	**1,143**
Issue of share capital	**–**	**–**	**–**
Total contributions by and distributions to owners	**–**	**–**	**–**
Balance at 31 March 2023	**13,000**	**1,389**	**14,389**

The notes on pages 64 to 75 form an integral part of these financial statements.

Company Statement of Changes in Equity

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2021	13,000	(100)	12,900
Total comprehensive income for the period	–	316	316
Issue of share capital	–	–	–
Total contributions by and distributions to owners	–	–	–
Balance at 31 March 2022	13,000	216	13,216
Balance at 1 April 2022	**13,000**	**216**	**13,216**
Total comprehensive income for the period	**–**	**1,133**	**1,133**
Issue of share capital	**–**	**–**	**–**
Total contributions by and distributions to owners	**–**	**–**	**–**
Balance at 31 March 2023	**13,000**	**1,349**	**14,349**

The notes on pages 64 to 75 form an integral part of these financial statements.

Consolidated Cash Flow Statement
for year ended 31 March 2023

	Note	2023 £000	2022 £000
Cash flows from operating activities			
Profit before tax		**1,462**	663
Adjustments for:			
Depreciation, amortisation and impairment		**207**	179
Loss on disposal of fixed assets		**–**	–
Interest receivable and similar income		**(267)**	(3)
Corporation tax		**(319)**	(335)
(Increase) in trade and other debtors		**3,353**	(4,053)
Increase in trade and other creditors		**1,940**	876
Net cash from operating activities		**6,376**	(2,673)
Cash flows from investing activities			
Interest received		**267**	3
Acquisition of tangible fixed assets	10	**(80)**	(444)
Acquisition of other intangible assets	9	**(9)**	(69)
Net cash from investing activities		**178**	(510)
Cash flows from financing activities			
Proceeds from the issue of share capital	17	**–**	–
Net cash from financing activities		**–**	–
Net increase/(decrease) in cash and cash equivalents		**6,554**	(3,183)
Cash and cash equivalents at 1 April	14	**11,268**	14,451
Cash and cash equivalents at 31 March	14	**17,822**	11,268

The notes on pages 64 to 75 form an integral part of these financial statements.

Company Cash Flow Statement
for year ended 31 March 2023

	Note	2023 £000	2022 £000
Cash flows from operating activities			
Profit before tax		**1,452**	653
Adjustments for:			
Depreciation, amortisation and impairment		**207**	179
Loss on disposal of fixed assets		**–**	–
Interest receivable and similar income		**(267)**	(3)
Corporation tax		**(319)**	(337)
(Increase) in trade and other debtors		**3,363**	(4,043)
Increase in trade and other creditors		**1,940**	878
Net cash from operating activities		**6,376**	(2,673)
Cash flows from investing activities			
Interest received		**267**	3
Acquisition of tangible fixed assets	10	**(80)**	(444)
Acquisition of other intangible assets	9	**(9)**	(69)
Net cash from investing activities		**178**	(510)
Cash flows from financing activities			
Proceeds from the issue of share capital	17	**–**	–
Interest paid		**–**	–
Net cash from financing activities		**–**	3,000
Net increase/(decrease) in cash and cash equivalents		**6,554**	(3,183)
Cash and cash equivalents at 1 April	14	**11,268**	14,451
Cash and cash equivalents at 31 March	14	**17,822**	11,268

The notes on pages 64 to 75 form an integral part of these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS

For year ended 31 March 2023

1. General information

Border to Coast Pensions Partnership Limited ('the Company') is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales, registration number 10795539. The address of the Company's registered office is 5th Floor, Toronto Square, Toronto Street, Leeds LS1 2HJ.

2. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The Group and Company financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ('FRS 102') and the requirements of the Companies Act 2006.

a. Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention. The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group and Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note *p*.

b. Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and all its subsidiary undertakings drawn up to 31 March 2023.

A subsidiary is an entity controlled by the parent. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where the Group owns less than 50% of the voting powers of an entity but controls the entity by virtue of an agreement with other investors which give it control of the financial and operating policies of the entity, it accounts for that entity as a subsidiary.

Subsidiaries are consolidated at the date on which the Group obtains control and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

The Group financial statements include the results of ten subsidiary companies, each established on 3 April 2019 to act as a General Partner for ten Scottish Limited Partnerships ('SLPs') set up to manage alternative investments.

Border to Coast Pensions Partnership Limited has control over the assets held by the underlying ten SLPs in which the ten subsidiary companies act as the General Partner in its capacity as investment manager. However, since these are held on behalf of investors and Border to Coast Pensions Partnership Limited has no right to the economic benefits arising from these assets, the assets and the investment income and costs associated with the ten SLPs have not been consolidated.

Similarly, in its capacity as investment manager, Border to Coast Pensions Partnership Limited has control over the assets held by the Border to Coast ACS. However, since these are held on behalf of investors, and Border to Coast Pensions Partnership Limited has no right to the economic benefits arising from these assets, the assets and the investment income and costs associated with them have not been consolidated.

c. Functional and presentational currency

The financial statements are presented in Pounds Sterling and rounded to the nearest thousand (£000).

d. Going concern

The financial statements have been prepared using the going concern basis of accounting. The Directors have undertaken an assessment to establish whether the use of the going concern basis is appropriate for the preparation of the financial statements.

From the above assessment, in conclusion, the Directors are not aware of any material uncertainties that would cast doubt over the Group and Company's ability to continue as a going concern for at least twelve months from the date of approval of the financial statements.

Notes to the financial statements for year ended 31 March 2023 continued


Collingwood Monument, Tyne and Wear

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2. Accounting policies (continued)

e. Turnover

Turnover comprises fees for the provision of investment management services. Turnover is measured at the fair value of the consideration received or receivable, net of value added taxes. Although the Company aims to operate on a cost recovery basis, marginal profits may be retained subject to shareholder approval.

f. Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding, and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

g. Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences arising on gains or losses on non-monetary items, which are recognised in other comprehensive income.

h. Intangible assets

Computer software licences and software are capitalised on the basis of the cost incurred to acquire and bring into use the specific software. These costs are amortised over their estimated useful lives of up to three years.

i. Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation of each asset on a straight-line basis over its expected useful life or minimum lease commitments, as follows:

Fixtures and fittings	10 years
Leasehold	5 years
IT hardware	3 years

j. Impairment of financial assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss.

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Group and Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

k. Trade and other debtors

Trade and other debtors are recognised initially at transaction price and subsequently less any provision for impairment where such subsequent measurement would result in a difference to the carrying value of the asset.

l. Trade and other creditors

Trade and other creditors are recognised at transaction price.

m. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits with banks and other financial institutions. All cash and cash equivalents held are immediately available for withdrawal.

n. Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2. Accounting policies (continued)

A provision is recognised for those matters for which the tax determination is uncertain, but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Group and Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group and Company's taxable profits and their results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

n. Taxation (continued)

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. In other cases, the measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group and Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax income or expense is recognised in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax income or expense.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Group and Company intend either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Group and Company have a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

o. Employee benefits

The Company operates a defined benefit pension scheme and a defined contribution pension scheme.

Defined benefit pension scheme – The defined benefit scheme is a Local Government Pension Scheme ('LGPS') administered by South Yorkshire Pensions Authority and is only open to members from existing LGPSs who have transferred into the Company LGPS or have rights under TUPE. The liabilities of the LGPS pension fund attributable to the Company are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions, for example, but not limited to, mortality rates, employee turnover rates, and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high-quality corporate bonds. In determining these liabilities, an assumption has been made on the advice of our actuaries that 50% of employees retiring will take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension.
- The assets of the South Yorkshire Pension Fund attributable to the Company are included in the balance sheet at their fair value.

In accordance with the Pension Recharge Agreement Deed between the Company and the eleven shareholders of the Company, the deed guarantees reimbursement of any pension liability, additional employer contributions, entry payments or exit payments not covered by the rates pursuant to the regulations in accordance with the Funding Strategy Statement and the Rates and Adjustments Certificate in force. The deed guarantees both current and future deficits. Reimbursement from the shareholders would be through the annual operating charge or a charge to the investment sub-funds or by the provision of a payment notice.

The deed is considered a reimbursement asset and is recognised separately from the defined benefit liability. The net change in fair value of this asset is recognised as part of the cost of the defined benefit plan with the interest element presented in profit or loss and other movements taken to other comprehensive income. As the amount and timing of the reimbursement of the asset matches the sum

Notes to the financial statements for year ended 31 March 2023 continued

2. Accounting policies (continued)

of all benefits payable under the Defined Benefit Pension Scheme, the fair value of this asset is deemed to be the present value of the related obligation. Movements arising from the asset are therefore presented net of the defined benefit cost in profit or loss and other comprehensive income respectively, as permitted under FRS 102.

The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are included as either accruals or prepayments in the balance sheet.

Defined contribution pension scheme

The defined contribution scheme is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

p. Leases

Leases in which the Group and Company assume substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Assets held under finance leases, hire purchase contracts and other similar arrangements, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments as determined at the inception of the lease) and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

q. Critical accounting judgements and estimates

In the application of the Group and Company's accounting policies, which are described in note 2, the Directors are required to make judgements and estimates that have a significant impact on the amounts recognised. The following are the critical judgements and estimates that the Directors have made in the process of applying the Group and Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Non-consolidation of Scottish Limited Partnerships – although the Company, in its capacity as investment manager, has control over the assets held by the underlying ten SLPs in which the ten subsidiary companies act as the General Partner, since these are held on behalf of investors and the Company has no right to the economic benefits arising from these assets, the ten SLPs have not been consolidated.

Defined benefit pension scheme – estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. A consulting actuary is engaged to provide the Group and Company with expert advice about the assumptions to be applied. However, because these judgements cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.


Tyne and Wear

3. Turnover

	Group 2023 £000	Group 2022 £000	Company 2023 £000	Company 2022 £000
Priority profit share	**10**	10	**–**	–
Investment management	**20,106**	15,117	**20,106**	15,117
Governance	**3,345**	3,277	**3,345**	3,277
Development	**2,856**	2,895	**2,856**	2,895
	26,317	21,299	**26,307**	21,289

4. Expenses and auditor's remuneration

Included in profit/loss are the following:

	2023 £000	2022 £000
Amortisation of intangible fixed assets	**37**	25
Depreciation of tangible fixed assets	**170**	154
Operating leases	**223**	233
Foreign exchange differences	**(147)**	25
Auditor's remuneration:		
Audit of these financial statements	**49**	40
Audit of the subsidiaries	**59**	50
Non-audit services:		
Controls assurance	**115**	115
Client assets	**13**	10

5. Staff numbers and costs

The average number of persons employed by the Company (including Directors) during the year was 123 (2022: 110). The aggregate payroll costs of these persons were as follows:

	2023 £000	2022 £000
Wages and salaries	**9,657**	7,795
Social security costs	**1,280**	914
Contributions to defined contribution plans	**749**	569
Expenses related to defined benefit plans	**168**	699
	11,854	9,977

6. Directors' remuneration

	2023 £000	2022 £000
Emoluments	**687**	641
Contributions to defined contribution plans	**41**	32
	728	673

During the year two Directors (2022: two) participated in money purchase pension schemes.

The amounts set out above include remuneration in respect of the highest paid Director as follows:

	2023 £000	2022 £000
Emoluments	**281**	253
Contributions to defined contribution plans	**24**	16
	305	269

7. Finance income and expense

	2023 £000	2022 £000
Interest receivable on bank deposits and cash equivalents	**267**	3
Total interest receivable and similar income	**267**	3

8. Taxation

Total tax expense recognised in the profit and loss account and other comprehensive income

	Group 2023 £000	Group 2022 £000	Company 2023 £000	Company 2022 £000
Current tax on income for the period	**307**	320	**307**	320
Adjustment in respect of prior periods	**(23)**	–	**(23)**	2
Deferred tax (see note 13)	**35**	15	**35**	15
Total tax	**319**	335	**319**	337
Reconciliation of effective tax rate				
Profit excluding taxation	**1,462**	663	**1,452**	653
Tax using the UK corporation tax rate of 19% (2020: 19%)	**278**	126	**276**	124
Net effect of other non-taxable/non-deductible items	**(38)**	35	**(36)**	35
Adjustments to tax charge in respect of prior years	**(23)**	(2)	**(23)**	2
Deferred tax change	**35**	15	**35**	15
Transfer pricing adjustment	**67**	161	**67**	161
Total tax expense included in profit or loss	**319**	335	**319**	337

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9. Intangible assets (Group and Company)

	Software £000
Cost	
Balance at 1 April 2022	134
Additions	9
Disposals	–
Balance at 31 March 2023	**143**
Amortisation and impairment	
Balance at 1 April 2022	50
Amortisation for the year	37
Disposals	–
Balance at 31 March 2023	**87**
Net book value	
At 1 April 2022	84
At 31 March 2023	**56**

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10. Tangible fixed assets (Group and Company)

	Leasehold £000	Computer equipment £000	Fixtures and fittings £000	Total £000
Cost				
Balance at 1 April 2022	283	416	182	881
Additions	5	75	–	80
Balance at 31 March 2023	**288**	**491**	**182**	**961**
Depreciation and impairment				
Balance at 1 April 2022	83	259	51	393
Depreciation charge for the year	58	94	18	170
Balance at 31 March 2023	**141**	**353**	**69**	**563**
Net book value				
At 1 April 2022	200	157	131	488
At 31 March 2023	**147**	**138**	**113**	**398**

11. Investments

	2023 £000	2022 £000
Investment in subsidiaries	**–**	–

The Company owns 100% of the equity share capital of the following ten subsidiary companies, each registered in the United Kingdom at C/O Addleshaw Goddard LLP, Exchange Tower, 19 Canning Street, Edinburgh, EH3 8EH

Border to Coast Bedfordshire GP Limited

Border to Coast Cumbria GP Limited

Border to Coast Durham GP Limited

Border to Coast East Riding GP Limited

Border to Coast North Yorkshire GP Limited

Border to Coast South Yorkshire GP Limited

Border to Coast Surrey GP Limited

Border to Coast Teesside GP Limited

Border to Coast Tyne & Wear GP Limited

Border to Coast Warwickshire GP Limited

The above companies each act as the General Partner to a Limited Partnership established in April 2019 to facilitate the efficient deployment of capital into private equity, infrastructure, and private credit investments.

The investments are £1 each representing 100% of the share capital

12. Debtors

	Group 2023 £000	Group 2022 £000	Company 2023 £000	Company 2022 £000
Trade debtors	**4,498**	8,788	**4,466**	8,788
Other debtors	**1,093**	396	**1,093**	396
Pension fund guarantee (see note 16)	**392**	2,736	**392**	2,736
Deferred tax assets (see note 13)	**–**	–	**–**	–
Prepayments and accrued income	**2,516**	2,289	**2,506**	2,256
	8,499	14,209	**8,457**	14,176
Due within one year	**8,107**	11,473	**8,065**	11,440
Due after more than one year	**392**	2,736	**392**	2,736
	8,499	14,209	**8,457**	14,176

There was no impairment on trade debtors during the year (2022 nil).

As detailed within a "Pension Cost Recharge Agreement", dated 4 February 2019 between the shareholders and the Company, the shareholders have guaranteed that any deficit arising in respect of the Company's participation in the defined benefit pension scheme will be underwritten by the shareholders.

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13. Deferred tax assets/(liabilities) (Group and Company)

Deferred tax assets/(liabilities) provided for at 19% (2022: 19%) in the financial statements are set out below:

	2023 £000	2022 £000
Balance b/f	**(12)**	3
Deferred tax (charge) in profit and loss account	**(35)**	(15)
Balance c/f	**(47)**	(12)
The closing balance represents		
Other timing differences	**(47)**	(12)

14. Cash and cash equivalents (Group and Company)

	2023 £000	2022 £000
Cash at bank and cash equivalents	**17,822**	11,268

15. Creditors: amounts falling due within one year

	Group 2023 £000	Group 2022 £000	Company 2023 £000	Company 2022 £000
Trade creditors	**911**	1,299	**911**	1,299
Taxation and social security	**423**	266	**423**	266
Corporation tax	**287**	322	**284**	319
Deferred tax	**47**	12	**47**	12
Other creditors	**1,008**	717	**1,008**	717
Accruals and deferred income	**9,318**	7,451	**9,319**	7,451
	11,994	10,067	**11,992**	10,064

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16. Employee benefits (Group and Company)

Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The total expense relating to this scheme in the current year was £749k (2022: £569k).

Defined benefit pension scheme

The Company operates a Local Government Pension Scheme ('LGPS') administered by South Yorkshire Pension Authority. A Pension Recharge Agreement Deed between the Company and the eleven Local Authority shareholders guarantees the reimbursement of any pension liability.

16. Employee benefits (Group and Company) continued

Net pension (liability)

	2023 £000	2022 £000
Defined benefit obligation	**(7,190)**	(9,203)
Plan assets	**6,798**	6,467
Net pension (liability)	**(392)**	(2,736)
Movements in present value of defined benefit obligation		
At 1 April	**9,203**	8,284
Current service cost	**370**	457
Interest on pension liabilities	**254**	188
Change in financial assumptions	**(5,136)**	143
Change in demographic assumptions	**438**	0
Other experience	**1,960**	10
Member contributions	**105**	126
Benefits/transfers paid	**(4)**	(5)
At 31 March	**7,190**	9,203
Movements in fair value of plan assets		
At 1 April	**6,467**	5,142
Interest on plan assets	**178**	117
Remeasurement (assets)	**(116)**	386
Employer contributions	**168**	701
Member contributions	**105**	126
Benefits/transfers paid	**(4)**	(5)
At 31 March	**6,798**	6,467
Expense recognised in the profit and loss account		
	2023 £000	2022 £000
Current service cost	**370**	444
Net interest cost	**76**	77
Total expense recognised in profit or loss	**446**	521

16. Employee benefits (Group and Company) continued

The fair value of the plan assets and the return on those assets were as follows:

	2023 Fair value £000	2023 Fair value %	2022 Fair value £000	2022 Fair value %
Equities	**4,623**	**68**	4,268	66
Bonds	**1,563**	**23**	1,552	24
Property	**544**	**8**	582	9
Cash	**68**	**1**	65	1
	6,798	**100**	6,467	100
Actual return on plan assets	**(212)**	**(3.2)**	503	9.5

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	2023	2022
Discount rate	**4.75%**	2.70%
Future salary increases	**4.70%**	4.95%
Future pension increases (CPI)	**2.95%**	3.20%

Formal actuarial valuations are carried out every three years. The last full actuarial valuation was performed on 31 March 2022, which forms the basis for the 31 March 2023 disclosures reflecting actual individual membership data. The 31 March 2022 disclosures were based on a roll forward from the 2019 valuation. This has contributed to the £1,960k adverse 'other experience' reported under 'movements in present value of defined benefit obligation' reflecting the adjustments to the roll forward approach to allow for actual experience over the period. It also includes the impact of applying the 10.1% Pension Increase Order from 1 April 2023 which is higher than the assumed rate at the start of the period.

In valuing the liabilities of the pension fund at 31 March 2023, the following mortality assumptions have been made:

Current pensioner aged 65: 20.5 years (male) and 23.7 years (female).
Future retiree upon reaching 65: 21.5 years (male) and 25.2 years (female).

Sensitivities

The scheme asset values are sensitive to market conditions. The scheme liabilities are sensitive to actuarial assumptions used to determine the scheme obligations. Changes in these assumptions could have a material impact on the Consolidated Statement of Financial Position. The main assumptions are the discount rate, rate of inflation, salary increase and life expectancy rate. The following table provides an estimate of the potential impact on the net pension liability of changing these assumptions:

	2023 £000	2022 £000
Net pension liability	**392**	2,736
+0.1% p.a. discount rate	**170**	2,929
+0.1% p.a. inflation	**130**	2,869
+0.1% p.a. pay growth	**42**	2,794
+1 year life expectancy	**288**	3,104

As detailed within a "Pension Cost Recharge Agreement", dated 4 February 2019 between the shareholders and the Company, the shareholders have guaranteed that any deficit arising in respect of the Company's participation in the defined benefit pension scheme will be underwritten by the shareholders and therefore any change in the net pension liability will be matched by a corresponding change in the pension fund guarantee asset (see Note 12) resulting in a net nil balance sheet impact.

17. Capital and reserves

Share capital

	2023 £	2022 £
Allotted, called up and fully paid		
11 ordinary shares of £1 each (A shares)	**11**	11
12,999,998 non-voting ordinary shares of £1 each (B shares)	**12,999,998**	12,999,998
	13,000,009	13,000,009

All shares have been issued and fully paid in cash.

18. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2023 £000	2022 £000
Less than one year	**255**	260
Between one and five years	**455**	711
More than five years	**–**	–
	710	971

19. Related parties

Group

During the year, the Group entered into transactions, in the ordinary course of business, with other related parties (the ten SLPs). Transactions entered into, and trading balances outstanding at 31 March, are as follows:

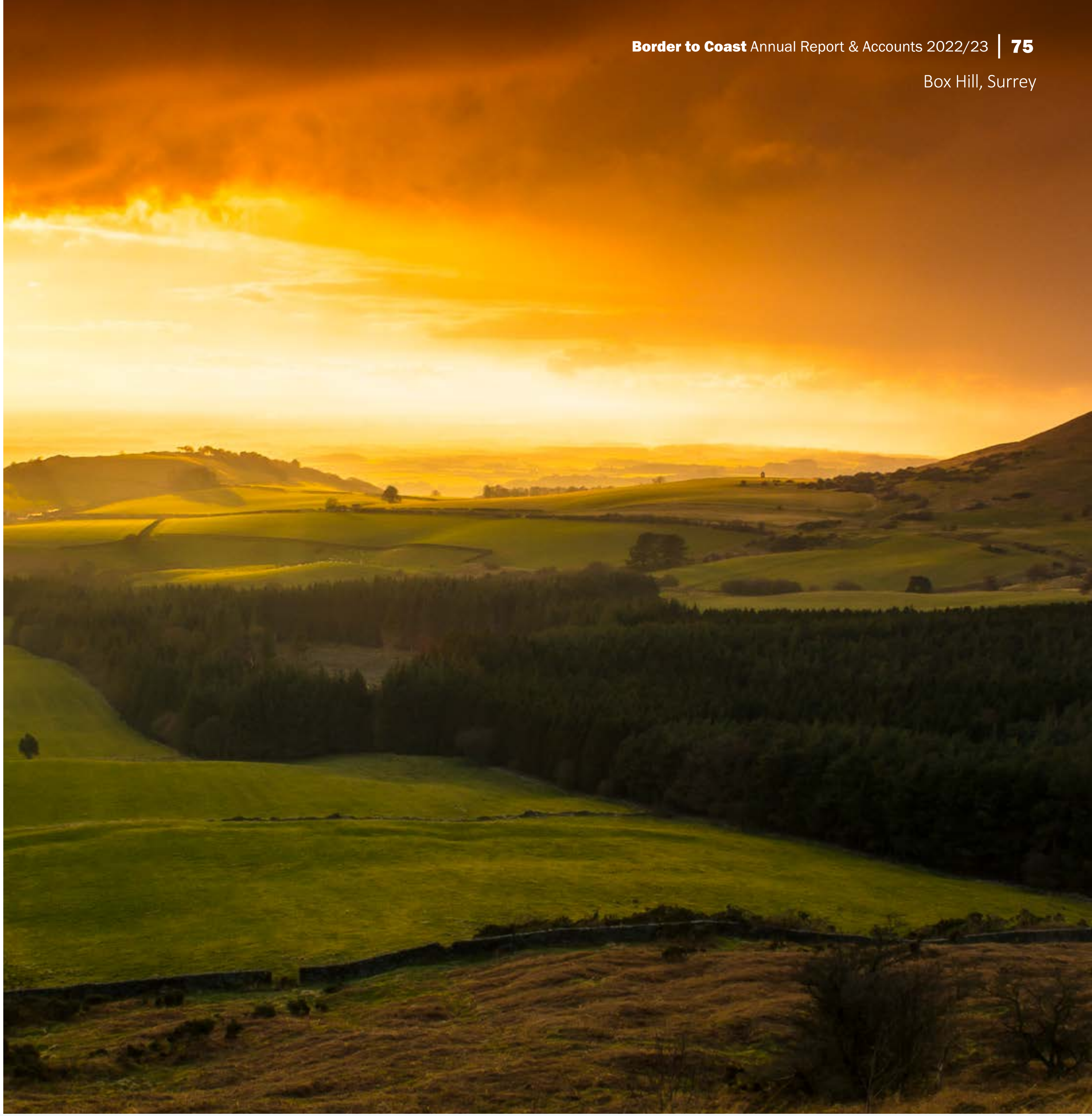
	Sales to related party 2023 £000	Sales to related party 2022 £000	Amounts owed from related party 2023 £000	Amounts owed from related party 2022 £000
Shareholders of the Company	**19,282**	15,474	**4,846**	9,856
Related parties	**7,028**	5,824	**32**	1,620

Company

During the year, the Company entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into, and trading balances outstanding at 31 March, are as follows:

	Sales to related party 2023 £000	Sales to related party 2022 £000	Amounts owed from related party 2023 £000	Amounts owed from related party 2022 £000
Shareholders of the Company	**19,282**	15,474	**4,846**	9,856
Related parties	**7,028**	5,814	**0**	1,620

Notes to the financial statements
for year ended 31 March 2023 continued


Box Hill, Surrey

20. Subsequent events

On 1 April 2023, Statutory Instrument 2023 No.187 (SI) came into force. The effect of the SI was to change the administering authority of Cumbria Local Government Pension Scheme from Cumbria County Council to Westmorland and Furness Council with effect from 1 April 2023.

On 1 April 2023, Statutory Instrument 2022 No.328 (SI) came into force. The effect of the SI was to change the name of the administering authority of North Yorkshire Local Government Pension Scheme from North Yorkshire County Council to North Yorkshire Council.

The directors have concluded the financial statements do not require any adjustment.

Border to Coast Pensions Partnership Limited is authorised and regulated by the Financial Conduct Authority (FRN 800511)

Registered in England (registration number 10795539) at the registered office:
5th Floor, Toronto Square, Leeds LS1 2HJ.

www.bordertocoast.org.uk

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2022 - 2023

Manvers Lake, South Yorkshire

Open Report on behalf of Andrew Crookham, Deputy Chief Executive and Executive Director - Resources

Report to:	**LGPS Local Pensions Board**
Date:	**9 November 2023**
Subject:	**Training Needs**

Summary:

This item provides Board Members the opportunity to discuss any training attended since the last Board meeting and provide feedback to other Board Members on its content.

This report also brings to the Board any conference or training highlight notes from the previous three-month period.

The Board should consider if there is any further training they wish to receive or attend in future months.

Recommendation(s):

That the Board:

1. Share information on any relevant events attended since the last Board meeting;

2. Note any conference and training feedback; and

3. Consider if there is any further training required in future months.

Background

1.1 The Board's Training Policy requires members of the Pensions Board, following attendance at any conference, seminar, or external training events, to share their thoughts on the event, including whether they would recommend it for others to attend. Therefore, the Board are requested to share information on relevant events attended since the last Board meeting.

1.2 For information, attached as appendices are the conference highlights provided by Hymans Robertson for the PLSA Local Authority Conference held in June and the LGC Investment and Pensions Summit held in September.

1.3 Board members are required to complete the online training modules within LOLA, the online academy created by Hymans Robertson. Members have a year to complete the modules and are expected to revisit them at least every other year. In addition, the module covering current issues is regularly updated to ensure members knowledge remains current.

1.4 At the Pensions Committee held in October, it was decided that it would be useful to arrange a separate session with Committee members to work through some of the main modules of the LOLA training, to assist members finding the time to complete their knowledge and skills requirements. The Board will also be invited to this session, once arranged.

Upcoming Training Opportunities

1.5 Upcoming training opportunities are shared in the weekly and monthly emails and current ones are shown below. Any member wishing to attend or require more information should contact Jon Haw (Jonathan.haw@lincolnshire.gov.uk):

- LGA Governance Conference 2024, York – 18-19 January

Conclusion

1.6 The Board should consider past training events attended and identify any future training needs.

Consultation

a) Risks and Impact Analysis

The Pension Fund has a Risk Register which can be obtained by contacting the Head of Pensions.

Appendices

These are listed below and attached at the back of the report	
Appendix A	Hymans Robertson Conference Highlights – PLSA LA Conference 26-28 June
Appendix B	Hymans Robertson Conference Highlights – LGC Investment and Pensions Summit 7-8 September

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Jo Kempton, who can be contacted on 01522 553656 or jo.kempton@lincolnshire.gov.uk.

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HYMANS # ROBERTSON

Conference highlights

PLSA Local Authority Conference, Gloucestershire (26-28 June 2023)

Catherine McFadyen
Head of LGPS Consulting

Susan Black
Head of LGPS Governance, Administration & Projects

Adrian Loughlin
Actuarial Consultant

Philip Pearson
Head of LGPS Investment

As temperatures cooled across the UK, this year's conference allowed delegates to do their own temperature check across the LGPS – with a focus on ESG, pooling and investment opportunities, tackling administration pressures and helping members and employers during a cost-of-living crisis.

Day 1 – Building a New Standard in Sustainability Reporting.

Scott Foster, CACEIS; James Parish, CACEIS; Tiffany Tsang, PLSA

Our delegates did not attend this session.

From Data to Insights: How Local Government Pension Scheme Data Can Transform Your Scheme Management.

Rod Brown, Heywood Pension Technologies; Spence Lynch, Heywood Pension Technologies; Alyshia Harrington-Clark, PLSA

Our delegates did not attend this session.

SMEs and Local Private Equity Investing – Bridging the Structural Funding Gap

James Livingston, Foresight Group; Matthew Smith, Foresight Group; Mark Whitby, Cambridgeshire Pension Fund; Maria Espadinha, PLSA

- This session focussed on SME growth capital, which is under-funded, overlooked by mainstream PE managers and not covered by VCTs/EIS/British Business Bank etc. Foresight run a series of funds focusing on different UK regions.

- What are the key success factors? These include education, a local presence and offering management expertise not just capital.
- Investors value manager intermediation of opportunities, rather than dealing directly with companies.

The Paris Alignment Paradox: Scoping Out Solutions.

Lauren Juliff, Storebrand Asset Management; Marcin Stepan, PLSA

- A growing number of passive funds are tracking Paris Aligned/Climate Transition benchmarks.
- Passive strategies can't be used to achieve true Paris Alignment because:
    - a reliance on emissions metrics (other metrics such as exposure to climate solutions providers aren't taken into consideration)
    - scope 3 emissions aren't considered
    - index design is not keeping pace with relevant developments.
- These are challenges for investment managers but are being addressed by many passive managers.

Day 2 – Introducing Nav Finance: Evolving Opportunities in Private Markets

Stephen Quinn, 17 Capital; Owen James, 17 Capital; Alyshia Harrington-Clark, PLSA

- Secured lending against the portfolios of large private equity funds in North America and Western Europe.
- Proceeds are used to make follow-on investments, recapitalise portfolio companies in distress and/or finance distributions to investors.
- Attractive target return (10-12% IRR) especially given strong downside protection. The manager remains positive on performance of PE-sponsored companies, despite the recent fall in valuations.

Targeting Net Zero in Fixed Income

Iain Buckle, Aegon Asset Management; Joe Dabrowski, PLSA

Our delegates did not attend this session.

Welcome

Emma Douglas, Chair PLSA

- Emma reflected on the themes of change in the LGPS and the role of the PLSA in bringing the pensions industry together.
- The relationship and roles of employers was highlighted with a recent PLSA survey indicating that 85% of funds believe they have a good relationship with their employers. The PLSA recently published a 'Best Practice' guide for employers participating in the LGPS.

Taking the Temperature of the LGPS

Joanne Donnelly, Local Government Association; Richard McIndoe, Strathclyde Pension Fund (SPF); David Murphy, NILGOSC; Roger Phillips, England and Wales Scheme Advisory Board; Emma Douglas, Chair, PLSA

- Cllr Phillips launched the E&W SAB annual report to year end 2022. He discussed the potential reputational damage of regulatory delays with the Minister for Pensions, and urged funds to progress certain items without waiting, eg Good Governance, TCFD reporting.
- Richard provided an overview of the robust health of the SPF. He expects the 2023 actuarial valuation to show good results for most Scottish funds despite market challenges, investment performance and inflation.
- David advised of a similarly positive outlook across NI and discussed the regulatory challenges being faced in NI.
- Joanne expects that pooling will be discussed further in the Mansion House speech in July and a consultation launched before summer recess. Large volume of responses to the TCFD consultation are being analysed - earliest legislation next April (and this is a tight timetable). There's an increased likelihood of legal cases in the absence of Goodwin regulation.

The Future for LGPS Pooling

Jill Davys, Redington; Neil Mason, Member, PLSA Policy Board; Peter Wallach, Merseyside Pension Fund; Joe Dabrowski, PLSA

- Audience polling showed a mixed view in relation to 1) how much government should play a role in speeding up the transfer of all fund assets into pools, and 2) whether there should be further consolidation of pools.
- The panel supported a proactive approach by funds, not waiting for the government to formalise arrangements. Pooling has largely met its original aims with particular benefits in responsible investment and cost efficiencies.
- The panel agreed that articulating the objective of any proposed consolidation is key. Is consolidation needed to increase sustainability of funds, or to increase asset value to meet government investment aims? There also needs to be focus and clarity on fiduciary duties.

Currency Matters: Understanding an 'Uncomplicated Risk' and using it to Pay Pensions

Bruce George, P/E Investments; Phil Triggs, City of Westminster; Alyshia Harrington-Clark, PLSA

- Audience poll highlighted that while more than half of the LGPS assets are allocated overseas, currency risk wasn't a key focus at their most recent investment board meetings. Similarly, very few funds do not manage foreign exchange risk explicitly in their portfolios.
- Phil noted that the lack of consideration around this risk is long-standing in the LGPS. Currency risk management is often considered a zero-sum game. More conscious decisions are needed in this field.
- City of Westminster case study – recently reduced strategy from 30% in UK-based assets to global investments (a move not uncommon in the LGPS). Considered exposure to currency markets and the potential of using dynamic hedging strategies to reduce exposure. This can control volatility.
- Good governance is key to successful decision making, with officers keeping committees informed.

Infrastructure: A Pooling Case Study

Samuel Gervaise-Jones, bfinance; Ravi Parekh, GCM Grosvenor; Anthony Parnell, Carmarthenshire County Council; Maria Espadinha, PLSA

- Significant effort devoted to defining the requirements and expectations of the infrastructure programme.
- Two solutions have been developed to meet partner fund needs: an open-ended fund focusing on core assets and a closed-end fund on value-add assets.
- Both have strong ESG and local investment agendas, but financial risk and return remains the primary consideration.
- The panel discussed the strong commitment from Welsh partner funds – 5% allocation to infrastructure, all represented on proactive Limited Partner Advisory Committee (LPAC).

Biodiversity and Nature: The Why and How of Rescuing the Planet

John Dean, AXA Investment Managers; Stephane Lago, AXA Investment Managers; Karen Shackleton, Independent Adviser, LGPS; James Walsh, PLSA

- The audience poll showed that all agreed that funds had a role to play in protecting nature/biodiversity.
- John discussed the economic case for protecting nature and biodiversity and the key differences between these concerns and climate.
- Stephane advocated a threefold approach to the topic: protect; restore and reduce.
- Karen provided a view on the outputs of a Pensions for Purpose report on the approach of funds.
- The panel agreed that the TNFD Framework should provide some structure but that it was not yet widely in use (the focus remains on TCFD).

Oversimplified and Over-Confident: How to Avoid the Dunning-Kruger Effect in ESG

Carlo Funk, State Street Global Advisors; Alyshia Harrington-Clark, PLSA

Our delegates did not attend this session.

Delivering Impact Through Private Equity

Andrew Carnwath, Columbia Threadneedle Investments; Stuart Hastie, Columbia Threadneedle Investments; Karen Shackleton, Independent Adviser, LGPS; Tiffany Tsang, PLSA

Our delegates did not attend this session.

Operational Sustainability – Solving the Administration Dilemma

Taylor Brightwell-Smith, Government Actuary's Department; Neil Mason, Member, PLSA Policy Board; Andy Whitelaw, Brightwell; Tiffany Tsang, PLSA

- The audience poll demonstrated that concerns around workload, recruitment and training continue to drive challenges in the administration of the scheme.
- Neil called on funds to drive improvements through the Good Governance recommendations, particularly around the introduction of common reporting standards and training. The importance of administration to members is key - consolidation of services may be the answer, but bigger is not always better.
- Andy provided insight into the Brightwell experience and its recent expansion to become a provider. Focus on the right success measures, eg member satisfaction, using technology to be do more with less.

- Taylor provided an overview of GAD's interest in administration and the support available, with a particular emphasis on the need for good data.
- The panel discussed training and recruitment, eg best practice standards, career paths and accredited training. Can AI be harnessed? Data quality is still not at a standard where this is viable. Technological solutions are being developed which will help clear backlogs in the short term.

Infrastructure – Navigating a Challenging Environment

Ian Berry, River and Mercantile Group; Phil Triggs, City of Westminster; Maria Espadinha, PLSA

- Huge capex requirement to upgrade UK infrastructure over the next decade (decarbonisation, Levelling Up). Private sector capital will likely be required.
- But audience poll suggested 89% of funds are not planning to materially change their infrastructure allocations.
- Manager focuses on core operational assets and suggested that historic returns on the asset class (7-8% pa) could be maintained with lower levels of risk (given the rise in interest rates).

A New Funding Era

Catherine McFadyen, Hymans Robertson; Richard McIndoe, Strathclyde Pension Fund (SPF); Joe Dabrowski, PLSA

- Catherine shared information from the Hymans Big Picture report. The average reported funding level at the 2022 valuations was 106%. What options are available to manage surplus? Reducing employer contributions, changes to investment strategy, retaining a surplus buffer, increasing margins for prudence, or doing nothing! The audience poll showed a majority in favour of a balance between rebuilding prudence margins and some employer contribution rate reductions.
- Richard shared how SPF has managed its surplus and retained a stable contribution rate across its main employers over the past 2 valuation cycles. He highlighted how the outlook for both lower employer contribution rates and increased benefits outflow will impact the cashflow position, and the necessity of planning investment strategy to manage a negative cashflow position.
- Both discussed the challenges of employer exits in a surplus environment.

The Dilution of Investor Rights in the UK – Ramifications for Pension Funds

Daniel Summerfield, Pomerantz; Owen Thorne, Merseyside Pension Fund; Tiffany Tsang, PLSA

- Audience poll showed concerns around the FCA's recent consultation on equity listing leading to a weakening of shareholder rights. There needs to be an increased focus on ESG, particularly climate.
- The panel noted there may be good intentions behind the perceived de-regulation, which would give funds more investment freedom. Instead, these may impact on those investing in the UK and lead to poorer equity opportunities being available. Conflicts of interest are an area for concern, which could hinder good stewardship practices.
- The panel concluded that there could be negative implications around reduced regulation, which could have a negative impact on LGPS members. Attendees were asked to use their voices to respond to any consultations which have an effect on the operating or performance of schemes.

ESG 2.0 and the Role for LGPS

David Crum, Minerva Analytics; Mark Gayler, Devon County Council; Philip Latham, Clwyd Pensions; Emma Douglas, Chair, PLSA

- An audience poll suggested that where funds have a net-zero target between 2046 and 2050, they are not confident in meeting this date. David noted that funds should still focus on improving their stewardship until greater green investment choices are available.
- The key themes explored were around engagement and exclusion when tackling ESG. Divesting in high carbon-emitting firms will improve only the fund's net-zero position, but collaboration will reduce this globally. Engage with firms directly to help them make greener choices, which will have a knock-on effect across the market. Don't ignore the social and governance aspects of ESG eg local impact investments.
- Mark spoke of Devon's work towards their own 2050 goal. He highlighted the part that pools have to play to ensure the companies being invested in are making greener choices.
- Philip noted that, following recent elections, Clwyd's new committee members showed an even greater interest in ESG. Whilst positive, funds should be aware of the increased costs due to time spent investigating and implementing sustainable practices.
- The session closed with a call for further government action in this space, with confirmation of TCFD reporting requirements in the LGPS.

Day 3 – Cost of Living Conundrum – Communicating with Employers and Savers

Emelda Nicholroy, UCEA; Jo Quarterman, Norfolk Pension Fund; Jenny Wright, MaPS; James Walsh, PLSA

- Jo provided an overview of Norfolk's communication strategy where key messages are selected and delivered repeatedly through different channels. The goal is to increase members' understanding, eg about the real cost/value of LGPS membership, the different options, where to find help and support.
- Emelda explained the challenges which higher education employers are facing due to the cost-of-living crisis, with contribution increases expected in unfunded public sector schemes. Positive LGPS valuation results logically mean HE employers will want to discuss how they can benefit from this. Emelda called for greater consistency and collaboration between funds to improve working relationships with the sector.
- Jenny Wright provided an overview of the cost-of-living crisis impacts on individuals, and shared details of the advice and guidance available from MaPS, including their guide for employers on financial wellbeing.
- The panel discussed the implications of the cost-of-living crisis on individual members. Opt outs will start to increase; funds should promote the 50:50 option through a multi-channel communications approach to maintain participation levels. Funds should encourage employers to support members directly.

The Levelling Up Agenda in Practice

Lee Rowley MP, Minister for Local Government; Neil Mason, Member PLSA Policy Board; Euan Miller, West Yorkshire Pension Fund; Clare Scott, Independent Advisor; Nigel Peaple, PLSA

- Lee provided a video message and urged stakeholder to participate in the open consultation on McCloud. The anticipated consultation on pooling will be published in due course. He championed action to drive good data as a way to deliver benefits to everyone in the scheme.

- Polling revealed that the audience most wanted the government to prioritise Good Governance, with 66% of voters having made changes or planning to make changes in relation to this topic.
- The panel interpreted the Minister's comments as suggesting no major changes which, in the current market, is positive. They also welcomed his comments on data quality and references to exemplary governance. They highlighted that further success stories have been seen in local investment and in improvements being made to administration, which weren't noted in the Minister's message.
- The audience Q&A reflected disappointment that the Minister was not in attendance to answer questions. There was then discussion around some of the immediate finance issues pressing within local government and the benefits of a collaborative approach amongst funds to tackle collective issues.

Preparing for Dashboards – Expert Advice and Next Steps

Yunus Gajra, West Yorkshire Pension Fund; Colin Lewis, Heywood Pension Technologies; Richard Smith, PLSA; Nigel Peaple, PLSA

- Audience polls revealed that funds are feeling mostly informed about the dashboards programme but slightly less well prepared for implementation of dashboards, which chimed with the panel opinion.
- Richard provided an update on the programme. The statutory date of 31 October 2026 is the final date for connection, but expectation is that the LGPS will get a much earlier guidance connection date. TPR are advising funds to continue to keep working with their ISP partner to ensure they are ready to connect.
- Colin provided an overview of how Heywood had been heavily involved since the beginning of the programme and are working on an ISP which will be system agnostic, not just Altair specific.
- Yunus discussed the West Yorkshire approach to ISP procurement. Despite the uncertainty over the LGPS connection date, there's no slowing down as the fund want to ensure lots of time for testing in advance of go live.
- The panel identified the key challenges which should be addressed before connection as data quality, uncertainly around the connection timetable, and the lack of certainty around what impact the uptake of the dashboard will have on fund resources post go-live.
- The Q&A session highlighted the potential for fraud as a downside of dashboard implementation, with panellists noting how effective communication with members and employers can help put further safeguards in place.

UK Politics -The Inside Scoop

Katy Balls, Spectator; Emma Douglas, Chair, PLSA

- Predictions at next General Election? 1. Conservative win – unlikely due to low popularity, prospects depend on upcoming by-elections and success in delivering their 5 priorities, 2. Labour majority – probable, they're likely to "play it safe" with no major, controversial policy announcements, 3. Labour/LibDem coalition – possible, and already being planned.
- Timing of next GE? Conservatives expected to delay as long as possible, absent any unexpected good news/further crises.
- A new Labour government would comprise a large number of new MPs and a handful of veterans from the Blair administration. Overall, relatively inexperienced from a pensions perspective. Early priorities are around regulatory reform and housing policy.

- Chancellor's speech at Mansion House in July likely to include some announcement on HMG's expectations of the LGPS to use their capital to boost growth in the UK. Not expected to include specific measures.

HYMANS ROBERTSON

Conference highlights

LGC Investment & Pensions Summit, Leeds – 7 & 8 September 2023

Steven Scott
Senior Actuarial Consultant

Nick Jellema
Senior Investment Consultant

The LGC Investment and Pensions Summit took place at the New Dock in Leeds on 7 & 8 September 2023. The conference was expertly chaired by Dawn Turner and attended by a good mix of LGPS and Pool officers, advisors and investment managers.

LGPS Healthcheck

Delegates took part in an energetic warm up to the conference, facilitated by Anna James and David Corr from Dance Syndrome.

Making sense of the global economic mayhem

Gerard Lyons, Netwealth

Gerard provided a macro-economic overview of the implications of global instability, and highlighted the following three key trends:

- Weak growth – whilst inflation is decelerating and settling at a higher level, recent IMF forecasts for global growth (3% this year and next) suggests tepid growth in western markets. This is exacerbated by structural changes in China as mitigation against the risk of future trade sanctions.
- Debt trap - concern is emerging in respect of the ability of G7 economies, including the UK, to avoid the debt trap (where debt is greater than GDP and rates of interest exceed GDP growth). The UK has a major current account deficit and needs overseas investors to buy UK assets.
- The end of cheap money - QE since 2008 has led to asset price inflation and an expectation that low rates would last for ever. It's unclear where interest rates will peak, but it's unlikely that rates will fall back to levels during 2010 to 2021. This will make it harder for companies to raise funds for new projects.

Overview of investment market conditions

Jose Pellicer, M&G Real Estate & Joe McDonnell, Border to Coast Pensions Partnership

- Joe highlighted the key differences between the LGPS and UK private sector schemes, noting 1) the stark differences in asset allocation (private sector schemes are de-risking on route to their 'end-game'), and 2) the ability of the LGPS to invest for the long term. As an investor of patient capital, the LGPS can take advantage of climate opportunities, emerging opportunities with real estate (due to rising interest rates), and invest locally in the UK.

- Jose illustrated the human ability to forget significant historic events, by presenting evidence showing a c.70 years gap between major conflicts in the world since the 1400s. Almost all of us living today have been living during the most peaceful period of world history and we can be forgiven for thinking that this state will persist.
- A similar dynamic exists with regards to changing market conditions. The challenges arising from higher interest rates and inflation have been faced by investors in the past, but before the careers of today's advisors and managers started.

LGPS state of play – where are we now?

Teresa Clay, DLUHC & Jeremy Hughes, LGPS Scheme Advisory Board

- Teresa provided insight on the current investment pooling consultation. The session poll showed that 90% of attendees were planning to submit a response to the consultation (or had already done so).
- Pools have achieved much already, eg excellent performance, improved transparency, significant UK investment, fee savings. The Government want to see a quicker asset transition, more collaboration between pools, increased specialisation in the medium term, and a smaller number of pools with greater scale to improve fee savings.
- The responsibility for investment strategy and asset allocation will remain with funds. There will not be a strict requirement to invest 10% of assets in Private Equity (but is instead an ambition). It was suggested that funds may be more willing to invest in Private Equity given current surpluses.
- Jeremy summarised other important matters being addressed by the SAB, including the Boycotts, Divestments and Sanctions (BDS) bill and the challenges this creates with regards to the legal definition of fiduciary duty (which necessitates consideration of ESG factors).
- SAB have also been looking at the Gender Pensions Gap, noting that the move to a CARE benefit structure may have helped to reduce the gap. On Sharia law compliance, Jeremy noted the importance of making sure Muslim members feel comfortable being in the scheme.

A1: Why is the UK Living sector no longer an alternative investment?

Alex Greaves, M&G Real Estate

- Alex explained how the residential sector demonstrated its diversification and defensive qualities during the recent period of turbulence. Alex highlighted how the inability of the UK Government to meet homebuilding targets has created a strong market for investors.
- This has led to returns from residential real estate comparing well against other real estate sectors, however delays in repricing should be understood when investing. In terms of future opportunities, the growth in student housing, arising from continued growth in overseas students, creates an investment opportunity.

B2: The double-edged sword of feeding the energy transition

Henrietta Pacquement, Allspring Global Investments

Unfortunately, our delegates couldn't attend this session.

A3: Multi-Asset Credit: finding relative value while navigating a sea change

Wayne Dahl, Oaktree

- Wayne highlighted the importance of interest rates for investors, and provided evidence to show that markets have been wrong on the path of interest rates during 2022 and 2023.

- Outperformance in the US was noted despite warnings about recession. In the US, wages remain high whilst inflation fell, and house prices have remained high despite a rise in mortgage rates. House values typically make up 80% of total wealth; high house prices give consumers the confidence to spend.
- Multi-asset credit can help investors take advantage of attractive yields, rotate into different assets based on relative value, and adjust exposure to mitigate default risk.

B4: Social Real Estate – Everyone's a Winner

Klaus Schmid, Franklin Real Asset Advisors

Unfortunately, our delegates couldn't attend this session.

A5: Residential Rendezvous: Unlocking Europe's diverse residential landscape

Jessica Hardman, DWS

- Jessica provided an overview of the European residential real estate market, noting that this is a mature market with a greater choice of opportunities compared to the UK.
- Financing is a barrier to owner occupied housing and this leads to strong demand for high quality rental properties that comply with ESG requirements. Strong population growth in Europe due to migration is fuelling demand, and lack of building puts a big pressure on supply. It's normal in Europe for institutional investors to own residential property.
- The diverging effect of regulation across Europe affects investment opportunities. In particular, restrictions in France due to the need to include affordable housing in all developments has a detrimental effect on the investment case.

B6: Introduction to the Australian and NZ private equity market

Rohan Wolfers & Matt Robinson, Pacific Equity Partners

Unfortunately, our delegates couldn't attend this session.

A7: Impact Measurement: Art or Science

Richard Atack, Baillie Gifford

- Richard provided an illustration of the ways in which impact investment can be measured, noting the need for a combination of the qualitative (art) and the quantitative (science).
- Despite the clear importance of impact investment and its complex nature, measurement needs to be simple and focussed. There's no such thing as a perfect company – there's a need for engagement (and patience) with companies to allow them to make a positive contribution to sustainable goals.

B8: Decarbonisation, Debt, Distress – Opportunities in European Real Estate

Paul Hampton, Patrizia Institutional Clients & Advisory

- Paul discussed the changing market conditions that are affecting the real estate market. and gave examples of how net returns on leveraged real estate portfolios have collapsed as interest costs have spiked. Refinancing may provide opportunities in attractive sectors, eg logistics and 'last-mile' retail.
- Have we "hit the bottom" on real estate valuations? Future price moves suggested by REITs suggest further valuation falls to come in future. Paul therefore advised some caution in deploying new monies into real estate but suggested that we could see a turning of the corner during the next 12 months.

- ESG regulations for real estate differ across Europe, Stock built in the 1960's and 70's require far greater investment to bring the properties up to standard, whereas those countries with more modern builds would require far less investment.
- Refurbishment costs to improve real estate stock and bring it up to current environmental standards could be as high as £1trillion GBP.

A9: Investing in Infrastructure – 10 lessons from (almost) 30 years

Alastair Yates, Macquarie Asset Management

Alastair set out his 10 lessons for investing in infrastructure:

1. Overpay at your peril as you could be stuck with businesses for a very long time.
2. Diversification helps navigate choppy seas (such as during the Covid-19 period).
3. Don't over-leverage.
4. Operational experience unlocks value.
5. Stakeholder management can't be underestimated.
6. Adapt as the market changes.
7. Think in decades and plot a path to invest in new technologies.
8. Love your assets and they will love you back (look after them).
9. The fundamentals don't change.
10. Scale matters.

B10: Sharia Law and the implications for the LGPS

Jeremy Hughes, LGPS Scheme Advisory Board & Dawn Turner

- This is being explored by SAB due to 1) evidence of member opt-outs (disproportionally affecting Muslims), and 2) the potential for discrimination since the religious beliefs of Muslim employees may prevent LGPS membership.
- Their project has involved receiving specialist advice from experts on the Muslim faith, and the project had noted some overlap with existing responsible investment and/or ethical beliefs. Output from the project is due to be published shortly.

Birds of a feather discussion session on hot topics

This was a workshop session during which delegates had the opportunity to consider and discuss a range of hot topics in small groups.

The cashflow challenge

Debbie Fielder, Clwyd Pension Fund & Olga Cooke, Harbourvest

- Debbie set out the cashflow challenges facing Clwyd, due to a combination of higher benefit payments, lower contributions, higher cash calls from Private Equity (PE), delays until PE distributions are realised, and the need to hold collateral for LDI.
- Olga then explained some of the modelling techniques used for monitoring and managing liquidity issues, highlighting the long-term nature of PE investment and using the secondary market to realise liquidity.

The LGPS as a lever for change to boost UK growth

Karen Shackleton, Pensions for Purpose; Mark Lyon, Border to Coast Pensions Partnership; Ted Frith, GLIL Infrastructure LLP

- Karen highlighted some of the UK opportunities, including renewable energy, affordable housing, communications, regeneration and health & wellbeing. Funds should set beliefs around ESG and then identify how each opportunity aligns with these.
- Ted highlighted the importance of infrastructure investment in growing the UK economy. The Government can't do it all on its own, so there's a very clear role for the private sector. LGPS funds shouldn't be compelled to invest – collaboration leads to better outcomes.
- Mark expects the UK market to grow over time. Borders to Coast are helping funds make local investments, across four pillars – 1) Property (including social housing, care homes and logistics), 2) Infrastructure (including social, digital, electric vehicle charging, and solar), 3) Financing (such as venture capital and incubator funds), and 4) Social bonds.

Friday, 8 September 2023

Is Pooling delivering?

Rachel Brothwood, West Midlands Pension Fund; Kevin McDonald, ACCESS; George Graham, South Yorkshire Pensions Authority; Roger Phillips, LGPS Scheme Advisory Board

- Rachel listed the many benefits that pooling has created for WMPF, eg allowing officers to spend more time on investment strategy, climate risk modelling and reporting, and integrating funding and investment objectives. Collaboration is achieving more than funds would have done by continuing to operate independently. Overcomplicated metrics should be avoided to ensure that reporting is proportionate.
- Kevin agreed that pooling has helped bring the LGPS together and led to more regular collaboration, with the inter-pool dialogue being particularly useful. There are challenges with moving to a single model on pooling passive investments; this leads to 'one size fits all' output which would be inappropriate given the different investment needs across funds and the diverse employer base underpinning this.
- In George's view, the greatest benefit of pooling is the greater resilience of the operating model. Prior to pooling, it was difficult to attract and retain the best in-house investment resource. However, pooling scale makes this easier to manage. Successful pooling means funds need to compromise, but that this doesn't mean funds get less – the evidence shows that collaboration and compromise lead to a situation where the whole is greater than the sum of the parts.
- Responding to the question 'should the LGPS have gone about pooling differently?', Roger explained his preference for the LGPS to have driven the pooling changes, rather than these being imposed by Government. He'd like funds to drive the future agenda on pooling.

The reality of reporting

Mark Hill, The Pensions Regulator; Sheila Stefani, LGPS Central; Paolo Giua, FRC

- Mark highlighted the importance of reporting, and its value. TPR doesn't view reporting as a tick-box compliance exercise, but as a process where proper engagement can lead to better outcomes for pension savers. He accepted the challenges in first time reports, but future reporting after year 1 can be easier.
- Sheila spoke about data quality. Much of the data required for full and effective reporting is incomplete, although collaboration across pools/funds can help to resolve some of the data challenges and lead to improved reporting. The Stewardship Code has been a blessing – it has given the LGPS a better tool for reporting activity.

- Paolo explained that, used properly, the Stewardship Code is a framework which allows pension schemes to reflect on policies and processes, and to communicate these to stakeholders in a plain language way.

Constructing a "weatherproof" investment portfolio

Peter Wallach, Merseyside Pension Fund; David Newman, Allianz Global Investors; Luke Webster, Greater London Authority

- Luke highlighted the importance for pension funds to focus on liquidity when constructing a 'weatherproof' investment portfolio. Paying pensions comfortably without having to disinvest means that funds can adopt a higher tolerance for risk.
- Investors should avoid the temptation of the "god complex". Specifically, there's a role for investors to make the world a better place, but they're not going to be the drivers of change. Investors should trust the businesses they invest in to make the changes necessary to create a sustainable and successful future.
- David noted that black swan events seem to be happening more often than we used to expect, and highlighted the significant uncertainty in geopolitics which may lead to concern for investors. In David's view, weatherproofing an investment portfolio means taking advantage of the yield curve and realising the benefits of diversification.
- Peter spoke about the choices LGPS funds have with regards to improving funding levels – reduce contributions or reduce risk. The ultimate choice will depend on fund-specifics including the demographic profile of the membership. Patience is required when monitoring performance. Parts of the portfolio may not perform well at different times, but a long-term view is crucial for LGPS investors.
- All hedging comes with a cost and, whilst there may be reasons why funds wish to hedge liabilities or to use equity protection strategies, these will detract from returns. In Luke's view, there's no need for the LGPS to strategically hedge liabilities. Inflation risk can be mitigated by long term growth assets.

Diversity, equity and inclusion (DEI) – making a difference

Francis Lake, Border to Coast Pension Partnership & Harj Kaur, LGPS Central

- Harj explained how LGPS Central has realised the benefits that come from a focus on DEI. Specifically, on representation, this has improved recently across gender and ethnicity through recruitment.
- Francis highlighted the many challenges faced by pools in the early days. They've worked hard to create an inclusive culture across staff cohorts that joined before, during and after the Covid-19 pandemic.
- Many challenges exist in this area. Societal change is happening fast, and important matters need to be resolved, such as dealing with long Covid-19 and the mental health issues created by the pandemic.

The future of pensions

Joanne Segars, LGPS Central; Joe Dabrowski, Pensions and Lifetime Savings Association; Henry Tapper, Age Wage; Tom McPhail, the "lang cat" podcast

- In the final session, Joanne identified the challenges facing pension provision in the UK and asked the panel to consider what the future holds.
- Tom stated that DC provision is the future for most people in the UK, and so future pension policy will focus on DC pensions. He expressed frustration with the lack of coherence in UK policy and the impact on savers. Pension policy should be linked to housing policy, long-term care policy etc to ensure there's a purpose; in its current iteration, the pension system doesn't service the needs of the UK public. There is a huge amount of reform to be done, but there appears to be little appetite to tackle this.

- Henry suggested that a ‘DC pension’ is an oxymoron as it doesn’t provide a regular and sustainable income in retirement. It’s imperative for Governments to understand and accept the need for pensioners to have a secure retirement income. He sees great value in collaboration and pooling, and thinks that significant value for money can be generated from consolidation in private sector schemes. Perspective is also important – providing pensioners with an inflationary pension increase during a cost-of-living crisis shouldn’t be viewed as being something that is difficult to provide.
- Joe highlighted some of the current challenges facing policymakers, eg concerns around the adequacy of DC provision, reform of Auto Enrolment, small pots issue (by 2030, there will be 30 million small pots in the pensions system). Simplicity is key. Members don’t need to fully understand how the pension works, just that there will be a pension for them in retirement.
- The panel acknowledge the inability of politicians to think long-term when setting pension policy and agreed that frequent changes in the pensions minister contribute to this.

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Lincolnshire COUNTY COUNCIL *Working for a better future*

Open Report on behalf of Andrew Crookham, Deputy Chief Executive and Executive Director - Resources

Report to:	**LGPS Local Pension Board**
Date:	**9 November 2023**
Subject:	**Work Programme**

Summary:

This report provides the Board with an opportunity to consider its work programme for the coming meetings.

Recommendation(s):

To review the Board's future work programme, highlight any activity for inclusion in the work programme.

Background

1.1 The work programme, which is attached at appendix A to this report, outlines the items for consideration at future meetings of the Board.

Conclusion

1.2 Members of the Board are invited to review, consider, and comment on the work programme.

Consultation

a) Risks and Impact Analysis

The Pension Fund has a Risk Register which can be obtained by contacting the Head of Pensions.

Appendices

These are listed below and attached at the back of the report	
Appendix A	Work Programme

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Jo Kempton, who can be contacted on 01522 553656 or jo.kempton@lincolnshire.gov.uk.

APPENDIX A

LGPS PENSION BOARD – WORK PLAN

11 January 2024 **Meeting Location: County Offices, Lincoln**	
Item	*Lead Officer*
Pension Fund Update *(Report)*	Jo Kempton (Head of Pensions)
Pensions Administration Update *(Report)*	Matthew Mott (Governance and Business Development Manager, West Yorkshire Pension Fund)
The Pension Regulator Data Scores *(Report)*	Matthew Mott (Governance and Business Development Manager, West Yorkshire Pension Fund)
Annual Data Analytics Review (*Report*)	Matthew Mott (Governance and Business Development Manager, West Yorkshire Pension Fund)
Annual Employer Monitoring and Data Quality Review *(Report)*	Claire Machej (Accounting, Investment and Governance Manager)
Annual External Audit Update (*Report*)	Claire Machej (Accounting, Investment and Governance Manager)
The Pension Regulator's Combined Code (*Report*)	Jo Kempton (Head of Pensions)
Training Needs *(Report)*	Claire Machej (Accounting, Investment and Governance Manager)
Workplan *(Report)*	Claire Machej (Accounting, Investment and Governance Manager)

21 March 2024 **Meeting Location: County Offices, Lincoln**	
Item	*Lead Officer*
Pension Fund Update *(Report)*	Jo Kempton (Head of Pensions)
Pensions Administration Update *(Report)*	Matthew Mott (Governance and Business Development Manager, West Yorkshire Pension Fund)
Temporary Bank Accounts *(Report)*	Matthew Mott (Governance and Business Development Manager, West Yorkshire Pension Fund)
Annual Review of Policies *(Report)*	Jo Kempton (Head of Pensions)
Business Plan and Budget Setting for the Pension Fund *(Report)*	Jo Kempton (Head of Pensions)
Annual Report and Accounts 2022/23 – Review of Accounting Policies *(Report)*	Claire Machej (Accounting, Investment and Governance Manager)
Training Needs *(Report)*	Claire Machej (Accounting, Investment and Governance Manager)
Workplan *(Report)*	Claire Machej (Accounting, Investment and Governance Manager)

11 July 2024 **Meeting Location: County Offices, Lincoln**	
Item	*Lead Officer*
Board Membership – appointment of new Members *(Report)*	Jo Kempton (Head of Pensions)
Pension Fund Update *(Report)*	Jo Kempton (Head of Pensions)
Pensions Administration Update *(Report)*	Matthew Mott (Governance and Business Development Manager, West Yorkshire Pension Fund)
The Pension Regulator Data Scores *(Report)*	Matthew Mott (Governance and Business Development Manager, West Yorkshire Pension Fund)
Annual Report and Accounts 2023/24 – Review of Draft Annual Report and Accounts *(Report)*	Claire Machej (Accounting, Investment and Governance Manager)
Training Needs *(Report)*	Claire Machej (Accounting, Investment and Governance Manager)
Workplan *(Report)*	Claire Machej (Accounting, Investment and Governance Manager)

17 October 2024 Meeting Location: County Offices, Lincoln	
Item	*Lead Officer*
Pension Fund Update *(Report)*	Jo Kempton (Head of Pensions)
Pensions Administration Update *(Report)*	Matthew Mott (Governance and Business Development Manager, West Yorkshire Pension Fund)
Temporary Bank Accounts *(Report)*	Matthew Mott (Governance and Business Development Manager, West Yorkshire Pension Fund)
Annual Review of the Risk Register *(Report)*	Jo Kempton (Head of Pensions)
Training Needs *(Report)*	Claire Machej (Accounting, Investment and Governance Manager)
Workplan *(Report)*	Claire Machej (Accounting, Investment and Governance Manager)