Brunel Pension Partnership Limited Annual Report & Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2022

Company registration number 10429110
Authorised and regulated by the Financial Conduct Authority No. 790168

BRUNEL
Pension Partnership

Chair's Foreword
Talent pool: How Brunel is delivering on its foundational purpose

by Denise Le Gal

Aerial view of City of Bath
Credit: Alex Atudosie, Unsplash

In 2016, I met up with four determined individuals who were trying to get a new project off the ground. Presentations were made and discussed in the lobby of a major accountancy firm, as no meeting rooms were available, but meaningful progress was made.

There has been a good deal more progress since. Later that year, our name was registered at Companies House and then, in 2018, we received approval from the Financial Conduct Authority. It has been a remarkably quick journey from drawing board to established asset owner managing £35 billion.

For all the change, it is crucial we remember the reasons the UK government created LGPS pools in the first place: to make cost savings whilst enhancing performance; and to enhance investment in UK infrastructure. We added a third reason: to provide industry leadership on Responsible Investment (RI).

On cost savings, Brunel's Original Business Case targeted £27.8 million in cost savings annually versus pre-pooling by 2025 – we are already saving £34 million net (£48m gross) each year. Two years ahead of schedule, Brunel is saving around four times the costs we incur via the management fees we negotiate. More than 80% of client AUM has been transferred into the pool.

Private markets have been an important part of the cost-saving jigsaw. Brunel is in its third cycle of private market portfolios; and recently launched a bespoke local impact portfolio for Cornwall (see page 5). It is through these portfolios we have targeted infrastructure. Thus, as of March 2022, our infrastructure portfolios had £819m invested in infrastructure and had delivered £6m in cost savings.

Our RI commitments and activity deepened. We added biodiversity as a target RI theme; transferred £4 billion to track the new FTSE Russell Paris-aligned benchmarks; ensured our views were heard at COPs 26 and 27; and blazed a trail on place-based impact investing (see page 7).

Immediate successes are well worth celebrating in all these areas, but our long-term success matters far more. Since our clients run open-ended Defined Benefit schemes, they are as keen as we are to commit to a long-term approach. Any kind of crisis in the global economy and on markets puts this commitment to the test – especially when oil and gas prices rise, or UK politics destabilises. There were difficult moments across some of our portfolios over the year, and we take them seriously – but we do not panic. As ever, it is crucial to sift short-term pain from fundamental problems.

We also know that long-term success means looking inwards, in line with our strong advocacy of stakeholder capitalism. Brunel's success over recent years has been based on a strong partnership and great people. Since Covid, we have significantly developed our capability, competency and general headcount, evolving our People Strategy and Remuneration Policy, to ensure a more sustainable, long-term footing for the company.

Seven years after those initial meetings, we retain the same priorities and values. Yet we remain as aware as ever that, in order to stay the same, we must continue to adapt our practices. If the past seven years are anything to go by, we are well-equipped to do so.

"Immediate successes are well worth celebrating in all these areas, but our long-term success matters far more."

Denise Le Gal

Denise Le Gal
Chair

2022 Highlights

January

Passive Paris
Completed transition of £4 billion to new Paris-aligned indices

February

Sustainable expansion
Appointed two further managers to growing Sustainable Equities portfolio

Exit move
Brunel barred new investments in Russia and began to disinvest

March

Value for money
Annual Report showed cost savings of £33 million

April

Leading out of lockdown
Laura Chappell addressed how Covid has changed Brunel – and leadership

May

Growth mindset
Outcomes Report identified biodiversity as new RI theme and showed Brunel beating carbon targets on Net Zero journey

July

Impact innovation
Launched Cornwall Local Impact portfolio to target affordable housing, renewables

Happy returns
Denise Le Gal made the case for stakeholder capitalism

October

Taking stock
Helen Cusins looked back to Brunel's small beginnings

Priority people
Gina Filipe launched Brunel's new People Strategy

November

COP 27
Faith Ward spoke on a panel debating sustainable investment in Africa; while the politicians disappointed, Faith reported better progress in sustainable finance

December

AWARD!
Brunel won in the Impact Investing category at the Europe-wide IPE Awards, Rotterdam, adding to 2022 awards from ICGN and Pensions for Purpose

Contents

Points of impact: Using culture and portfolios to drive change

by Laura Chappell

When I look back to Brunel's origins, two trends are immediately striking.

The first, most obvious trend has been transformation. What began with five people working with clients to start a new company in borrowed offices, has since morphed into a highly professional asset owner with more than sixty staff, £35 billion in AUM, and a deep, pioneering approach to Responsible Investment.

The second trend has been persistence. When we were founded, we were focused on delivering cost savings, broadening the investment opportunity set across private markets, and making rapid progress on RI, not just in our portfolios, but across the broader industry. We remain focused on these goals today.

The global pace of change since our founding has sometimes felt dizzying – even just over the 2021-22 reporting year. But we draw on the might and stability of our partnership, together with our enormous progress thus far against our goals, to remain resilient and effective through change. In 2022, we launched our strategic review with key stakeholders, to set our course for the next five years.

Looking out

Applying our principles and values remains paramount as we set that course, making us more effective internally and justifying pressure on the managers we appoint and the companies we are invested in across several RI priorities, from biodiversity to human rights. We measure success annually against the targets set out in our RI Policy. We also review our broader approach; thus, in the reporting year, we launched our Climate Stocktake.

However, different asset classes offer different opportunities, as the market struggles of 2022 have amply illustrated. Thus, we launched Cycle 3 of our private markets portfolios in 2022. Private markets offer us a particular opportunity to construct and direct the new economy, one that delivers both the Net Zero transition, and the Just Transition needed to make it happen.

Our portfolio managers across private markets work to identify external funds that share our priorities: long-term sustainable returns, underpinned by strong environmental and social credentials. Proof can be found in investments these funds currently hold: biodiverse industrial plants; emissions-cutting office blocks; affordable rental housing; biomass end-product recycling; healthcare support for vulnerable communities; smart energy; peatland protection; an online children's library; ESG integration into private debt lending rates; rural broadband provision; US low-income healthcare provision; and the founding of bee populations at solar sites.

In the reporting year, we are also particularly proud of launching our smallest-ever portfolio: the £115 million Cornwall Local Impact portfolio targets affordable housing and renewables (see page 5). We hope it is the first of many across the LGPS.

Indeed, that is our ambition far more broadly. The twin challenges of transition finance and accelerating global change are enormous. By delivering on the goals set by our partnership, we will not just benefit our clients and their members. In the long-term, we will demonstrate to the wider industry our belief that RI is indispensable to achieving healthy long-term returns.

An aerial view of Glastonbury Tor, Somerset

"What began with five people working with clients to start a new company in borrowed offices, has since morphed into a highly professional asset owner with more than sixty staff."

Laura Chappell
Chief Executive Officer

Opportunity Kernow: Local impact investing for people and planet

Cornwall Local Impact portfolio targets renewables and housing amid climate and poverty challenges

In 2022, the 57,400 scheme members of the Cornwall Pension Fund became direct investors in the county's future.

Until 2022, no LGPS pool had been invested in a single-county portfolio across multiple assets. Brunel ensured that the portfolio enabled Cornish ambitions to be met while still cleaving to the same fiduciary duties that must remain the Fund's first priority. The new portfolio has been built to last; it targets a 5% net return over a rolling 7-10-year performance period.

"The portfolio combines our fiduciary responsibilities to our members with delivering positive social and environmental outcomes in our county, where our members have worked and lived," said Councillor Jayne Kirkham, Chair, Cornwall Pension Fund Pensions Committee. "We hope it provides a template for others to follow."

A fisherman prepares his nets, Cornwall

Targeting the rental crisis

Cornwall has been far from immune to recent economic and financial challenges across the UK. A report published in 2022 by Loughborough University for the End Child Poverty Coalition showed that nearly 30% of children in Cornwall were living in poverty in 2020/21. These figures were relatively unchanged since 2014 but in 2022, Cornwall Council told the BBC that the existing housing shortage in the county had only worsened during the pandemic.

The new portfolio is divided between three separate mandates or sleeves. One of these invests through the PGIM UK Affordable Housing Fund. As a result, 55% of the £115 million portfolio now targets affordable housing for working families in Cornwall.

Targeting the climate crisis

Cornwall's extensive, dramatic beaches are a major reason for its fame – but also for its vulnerability to climate change. The county was the first in the UK to publish a climate change risk assessment, which found that the region would see some of the highest potential sea level rises around the UK by century-end, ranging from 0.2-1.0 metres. Rising sea levels could pose a challenge as soon as 2030.

In 2019, Cornwall Council declared a climate emergency – it subsequently identified housing and infrastructure as core elements in addressing the emergency for local people.

The Cornwall Local Impact portfolio has two evenly-weighted renewables sleeves. 'Greencoat Cornwall Gardens' invests solely in renewables projects in the county, its financial viability aided by Cornwall's relatively high exposure to sun and wind. A final sleeve invests in renewables across the UK – a geographical diversifier. (Greencoat is also a manager on our Secured Income portfolio.)

It was an ambitious brief that Cornwall set: target affordable homes, renewable energy and sustainable retirements with a £115 million portfolio in a single county. As so often, pooling has been the enabler, and we hope the portfolio provides a trail for others in the LGPS world to follow.

Life cycles, not market cycles: How we invest

By David Vickers

Covid, Russia's invasion of Ukraine, and global inflation dominated markets over the 12-month period – for Brunel, this meant making short-term adjustments while persisting with long-term plans.

In the fourth quarter of 2021, markets were focused on Omicron, lockdowns, and the unfamiliar experience of rising inflation and interest rates. Despite troubles in emerging markets, global indices tracked higher, led by the US. Meanwhile, negotiations resulted in meaningful, but not radical, progress at COP 26.

Russia's invasion of Ukraine, in February 2022, transformed capital markets. A more hawkish turn by central bankers in the New Year had pushed equity and fixed income markets negative in January; the invasion only added fuel to the fire.

Beyond the spike in geopolitical uncertainty, investor concerns focused on commodities. At the outset of the war, Russia and Ukraine produced 29% of the world's wheat, while Russia was the world's second-largest natural gas and third-largest oil producer.

Sanctions and supply disruptions combined to push up broader commodity prices, while energy and food rose sharply in the first quarter, although prices later calmed significantly. There was also a faint note of hope amid the disruptions, as some states – notably, Germany – raised their ambitions on sustainability.

As central banks came round to the market's view that inflation was not transitory, so rate hike paths were mapped out, even as recessions began to show (including in the US). In China, a rise in Covid numbers combined with a property slump weighed on markets while, in the UK, political tempestuousness hit confidence – and sterling. Markets slipped, positive correlation between equities and bonds reached all-time highs, and so investors were handed a new set of challenges.

Our investment year

Such extreme market shifts can be unnerving for even the most phlegmatic of investors. We are fortunate to be managing portfolios for open-ended Defined Benefit schemes, as we are obliged to target 20-30-year time horizons, for members' retirements, and for the world they will retire into.

Nevertheless, the new economic paradigm has not proved easy. The rising price of energy – and energy stocks – was a headwind to relative performance, given our portfolios' low carbon exposure. Furthermore, short-term underperformance was often disappointing, even beyond the energy challenge; we therefore dialled up existing manager monitoring and review mechanisms to recognise the change in circumstances.

There was one significant redirection in our decision-making. In February, we concluded the outlook for Russian assets had changed materially – from an investment and an RI perspective. We therefore chose to pull back from Russian assets.

Porthcurno Beach, Porthcurno, Cornwall Credit: Beth Smith, Unsplash

External, short-term trends mattered less to our decisions, however, than internal, long-term ambitions. We were especially proud to co-launch a new series of Paris-aligned benchmarks co-engineered with FTSE Russell, opening trading at the LSE to mark the moment, We also added two new mandates to our ambitious and growing Sustainable Equities portfolio.

Private markets were a particular highlight. With two cycles live, we were able to launch cycle 3. Our pioneering work in private markets was recognised when we won the Impact Investing award at Europe's IPE Awards in Rotterdam.

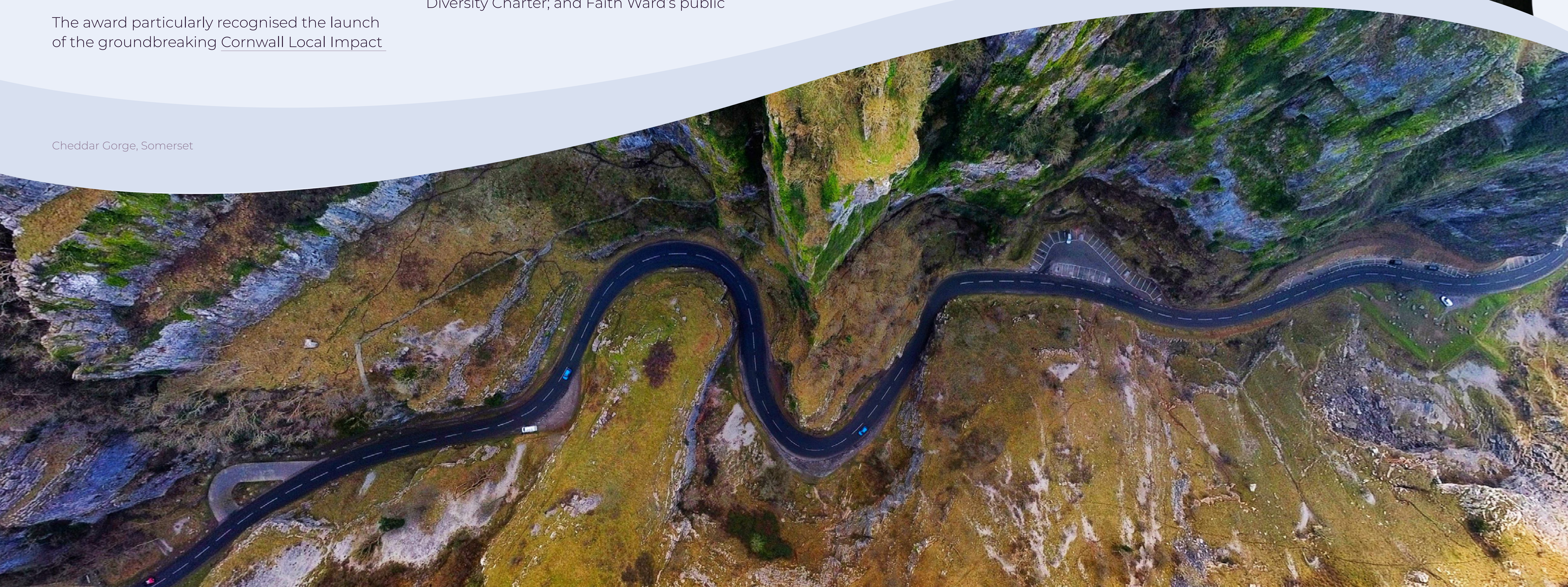
The award particularly recognised the launch of the groundbreaking Cornwall Local Impact portfolio. The portfolio neatly captures our range of priorities: appropriate investment returns; cost savings; and social and environmental impact.

On cost savings, I am delighted that we are making net annual fee savings of £34 million versus pre-pooling, having transitioned almost 85% of client AUM. Our savings are now around four times our costs – our private market portfolios are a major cause.

On the social and environmental fronts, I would highlight our engagements with asset managers, governments and regulators; Helen Price's work promoting the Asset Owner Diversity Charter; and Faith Ward's public roles at COP 27 and as Chair of the IIGCC. Our Outcomes Report does these themes far greater justice.

All these priorities cohere in performing our fiduciary duty to our clients, which will always be our primary goal. Like us, they think less in quarterly cycles than in life cycles, as befits their members' retirement needs. Despite the challenges of the year past, I believe our partnership has the right approach, and the right teams, to achieve the best outcomes for the long term.

David Vickers
Chief Investment Officer



Cheddar Gorge, Somerset

Climate change

In March 2021, Brunel Pension Partnership committed to be Net Zero by 2050 at the latest and halve its portfolio emissions intensity by 2030 through signing the UN Race to Net Zero-compliant Paris Aligned Asset Owner Commitment.

This commitment enhances our ambitious Climate Change Policy, which set out the strategy and plan of action, together with key performance indicators. We recently completed our Climate Stocktake through which the policy was then reviewed. Our enhanced policy commitments were published in early 2023.

Below is an executive summary of our work on climate change, using the structure recommended by the Taskforce on Climate-related Financial Disclosure (TCFD). We publish a more detailed Climate Action Plan and Carbon Metrics Report in Spring each year.

Brunel not only reports itself to TCFD but is a strong advocate for global mandatory disclosure. Brunel has supported the work of the UK government in improving climate risk disclosures, culminating in the commitment to making TCFD mandatory across the economy by 2025.

We believe that:

- Climate change presents a **systemic and material risk** to the ecological, societal and financial stability of every economy and country on the planet and therefore will impact our clients, their beneficiaries and **all portfolios**.
- Investing to support the **Paris goals that deliver a below 2°C temperature increase,** and pursuing efforts to limit the increase to 1.5C, is entirely consistent with **securing long-term financial returns** and is aligned with the best long-term interests of our clients.
- For society to achieve a Net Zero carbon future by 2050 (or before) requires **systemic change in the investment industry** and **equipping and empowering our clients** (and other investors) is central to this change.

Given our strengths and our position in the market, we therefore believe that **the key objective of our climate policy is to systematically change the investment industry so that it is fit for purpose for a world where temperature rise needs to be kept to limit global warming to well below 2°C, preferably to 1.5°C compared to pre-industrial levels.**

Climate change governance

The **Brunel Board** approves and is collectively accountable for Brunel's Climate Change Strategy and Policy. Day-to-day operational accountability sits with the **Chief Responsible Investment Officer**, with oversight from the **Brunel Investment Committee** and **Brunel's Board**.

Climate risk has been identified as a principal (level 1) strategic risk to Brunel. As such, the risk is owned by the **Chief Executive Officer**, with oversight from **Brunel's Audit, Risk and Compliance Committee** forming part of Brunel's overall strategic risk framework.

The **Chief Investment Officer** is responsible for ensuring the integration of climate change into portfolio construction, implementation and overall investment decision-making. All members of the investment team have explicit responsibility for the implementation of responsible investment (RI) principles, including but not limited to climate risk, within their respective roles. As such, any training needs are identified through our standard appraisal and personal objective setting processes.

In 2021, Brunel undertook a review of the investment governance arrangements. This included reviewing the governance arrangements, including investment-related committees in place to make investment decisions and oversee portfolio performance and risks. It also involved looking at the embeddedness of Environmental, Social and Governance (ESG) considerations in the investment cycle including the plans and readiness for embedding the Net Zero Investor Framework in investment activities.

The review concluded that "ESG considerations have been part of Brunel's business since commencement of business and are embedded throughout the investment processes from investment due diligence to [the] investment monitoring stage." However, enhancements to formally documenting arrangements, particularly those relating to new commitments, like Net Zero, would provide further assurance and reduce the risk that these commitments would not be met.

Strategy

We believe it is our fiduciary duty to manage climate change and associated risks and opportunities within our investment portfolios, as investment markets are not properly pricing in climate related risks. Climate-related risks impact all investment strategies and mandates, whether active or passive, and across both long and short time horizons. Our holistic approach to managing this risk is outlined in our Climate Change Policy and is split into the five key components illustrated.

Brunel seeks to provide Paris-aligned options across all asset classes. The biggest climate project of 2021 was the creation of Paris-aligned benchmarks to support index-tracking investments. We placed great emphasis on developing indices that not only met current needs, but also had scope to evolve in response to rapid industry developments, so that we continue to deliver on our clients' investment objectives.

The main aim of 2022 has been undertaking our Climate Stocktake. The Stocktake seeks to answer these questions:

- Did we deliver what we said we would do?
- Does it still meet your expectations and needs?
- Is it best practice?
- What are other stakeholder views?
- Are asset managers aligned?
- Are there companies of concern?

During our climate stocktake, we analysed our holdings, engaged stakeholders, held client workshops; and we will publish a report on achievements and on our public policy advocacy. As well as looking backwards and evaluating our progress, we will look forward and seek to set new objectives and targets. A report on the stocktake process and its outcomes has been published alongside our updated policy in early 2023. (See Climate Change on our website for more information.)

Risk

In addition to acknowledging the catastrophic impact of governments and society not acting on their awareness of climate risk, we have identified the principal sources of strategic risk that are within Brunel's direct sphere of influence:

- Failure to manage climate risk through poor awareness and responsiveness over how climate risks will impact on markets, our operations, managers and portfolios and, by extension, our clients
- Failure to anticipate and effectively manage changes in the market context in terms of regulation, disruption, best practice, innovation and demand - both top-down in terms of product governance, and bottom-up in terms of the impact on individual asset managers and investments
- Failure to provide portfolios that effectively respond to climate risk in the context of client investment objectives, potentially undermining the objectives of pooling
- Failure to ensure operational resilience
- Failure to retain clients, attract talent and positively impact industry behaviour, due to mismanagement of all the above risks

Strategic risks are managed by the Executive Committee for which they have identified key performance indicators, that are tracked and reported against regularly.

Portfolio climate-related risks and opportunities

The greatest impact to Brunel from climate risks is to our investment portfolios. The performance of our portfolios is directly linked to the value of the underlying assets, which are increasingly impacted by climate-related risks and opportunities.

Managing climate-related risks and opportunities and aligning our investment management to Brunel's climate change ambitions, are key considerations when appointing third party managers. They are embedded into the selection and review processes for every manager and the associated due diligence. Managers are formally reviewed on an annual basis, and quarterly monitoring is undertaken by Brunel's portfolio managers, with support from the Responsible Investment team. Reports are submitted in rotation to the **Brunel Investment Committee**, which meets at least monthly. In addition, the **Brunel Investment Risk Committee** conducts a quarterly review of the carbon metrics, as well as exposure to other environmental, social and governance risks.

We ensure that our portfolios are well-diversified, and that our managers have a deep understanding of both the companies or assets in which they invest, and the risks to which they are exposed.

Caldecotte in Milton Keynes, Buckinghamshire

In line with our 2022 Climate Stocktake, however, we are reviewing the responsiveness of companies to managing climate risk and considering exclusions where a company poses a long-term financial risk.

Since May 2019, we have been on the steering committee of the IIGCC's Paris Aligned Initiative (PAII) looking to establish the pathways, methods and approaches to creating Paris-aligned portfolios. We are using the Net Zero Investment Framework methodology to support our integration into all asset classes and the setting of metrics and targets.

Scenario analysis

We recognise that scenario analysis is an important tool in assessing what impact climate change may have on our investment portfolios. Previously, we have compared the equity portfolios against three Bank of England climate scenarios, using a free, open source PACTA. This stress testing was an initial step in the development of our climate scenario analysis work.

As a further pilot exercise, in 2022 we undertook to analyse around 1200 listed securities in our equity universe. The scenario analysis utilised market standard scenarios including:

- NGFS scenarios (Orderly Net zero, Disorderly Net zero) for Transition Risk analytics for in scope investments
- IPCC (RCP 4.5 and RCP 8.5) for Physical risk analytics for in scope investments

The NGFS or Network for Greening the Financial System was established in 2017 by central banks and supervisors with the aim to promote best practices and enhance the role of the financial system to manage risk and mobilise capital for a low-carbon economy.

The NGFS Climate Scenarios aim to provide an up-to-date reference point for understanding how physical risk and transition risk could evolve in different futures.

Stewardship and our approach to public policy

Engagement with companies, fund managers and policy makers form a key part of our approach to managing climate change risks. Engagement implementation is undertaken by our fund managers, our dedicated engagement provider Federated Hermes EOS, and via collaborative forums such as the Institutional Investors Group on Climate Change (IIGCC) and the Principles for Responsible Investment (PRI). Brunel's Chief Responsible Investment Officer has been appointed to the Transition Plan Taskforce Delivery Group (TPT) and the Green Technical Advisory Group (GTAG) which are advising the Government as part of the 'Greening Finance: A Roadmap to Sustainable Investing' - the government's long-term ambition to green the financial system and align it with the UK's world-leading net-zero commitment.

We seek to undertake direct engagements where we feel this will add value. In 2020, Brunel co-filed a shareholder resolution at Europe's second-largest financier of fossil fuels, HSBC. The resolution was subsequently withdrawn as it was replaced by a management-backed resolution committing the bank to phasing out its financing of the coal industry by 2030 in the OECD and by 2040 worldwide. HSBC also committed to publishing emission reduction targets for its oil and gas and power and utilities portfolios and to publishing a coal policy by the end of 2021. In withdrawing the shareholder resolution, our expectations were communicated to HSBC in a letter to the CEO and Chair. We made it clear further action would be taken next year if we were dissatisfied with the bank's progress. The bank's coal policy failed to meet expectations and contained significant loopholes, resulting in us co-filing another shareholder resolution for 2022.

Persistence paid off. In February 2022, HSBC announced new climate commitments, acknowledging the findings of IEA's Net Zero by 2050 report, which had proposed that, to achieve net zero emissions by 2050, there would need to be no new fossil fuel expansion. HSBC also committed to review and update its coal policy by the end of 2022, and confirmed it would be updating the scope of its fossil fuel targets to cover capital markets – a significant inclusion. We welcomed the commitments in a letter to the board, but plan to monitor the execution of these commitments closely.

We prioritise engagement with those companies or other entities with the biggest climate change related impacts or risks, where we have a significant exposure and where we have the ability to effect change. Working collaboratively with others increases our effectiveness and we will continue to support collaborative action though initiatives such as Climate Action 100+ (CA100+). Brunel uses the Climate Action 100+ benchmark to inform its climate policy and stewardship including escalation of action.

We report on the outcomes of our engagement to clients each quarter, and annually within our Responsible Investment and Stewardship Outcomes Report.

Climate Action 100+ Net-Zero Company Benchmark

The Benchmark is not a disclosure mechanism or database itself, but rather an assessment tool. Companies are assessed against ten indicators:

1. **Ambition**: A long term 2050 goal
2. **Targets:** Short- and medium-term; scope 1, 2 and material scope 3 emissions
3. **Emissions performance** relative to targets
4. **Disclosure** of emissions
5. **Decarbonisation strategy**: A quantified plan to deliver GHG targets, green revenues targets
6. **Capital Allocation Alignment**: capital expenditures consistent with net zero by 2050
7. **Climate Policy Engagement**: Paris-Agreement-aligned climate (direct and indirect) lobbying
8. **Climate Governance**: Oversight of transition planning and executive remuneration linked to targets and transition
9. **Just transition**: Consideration of transition on workers and communities
10. **Climate risk and accounts**: Transition risk TCFD disclosures and incorporating risks into financial accounts

Source: Climate Action 100+

Metrics and targets

We use a number of different complimentary ESG and carbon-specific datasets in order to monitor and report, both internally and externally, on the risks within our investment portfolios.

We use data, such as that provided by the Transition Pathway Initiative (TPI), to help us understand the exposure to any carbon-intensive companies and to assess their preparedness for the transition to a low carbon economy.

Climate targets 2019-2022

Emission intensity reduction by 2022: at least 7% per annum reduction in weighted average carbon intensity (scope 1,2 and first tier scope 3) for each listed equity portfolio compared to its investable universe by 2022.

Emission intensity reduction by 2030: at least 50% reduction in weighted average carbon intensity (scope 1&2), for each listed portfolio compared to its investable universe by 2030.

Our 2022 target was set in 2020, at which time listed equities accounted for **88% of Brunel's assets under management**, and the 7% minimum average annual reduction was defined as consistent with the decarbonisation trajectory under the **IPCC's 1.5°C scenario** (with no or limited overshoot).

We publish a wide range of carbon metrics in our annual Carbon Metrics Report. Progress against all climate targets is detailed in our Outcomes Report (see chart below).

Operational risks

Brunel has made a firm-wide commitment to the integration of climate risk throughout its own operations.

Brunel has committed to be Net Zero in its operational (scope 1 and 2) emissions and made considerable progress in measuring and reducing its Scope 3 emissions by 2030.

Our exposure to physical climate risks such as flooding and extreme weather is mitigated through a highly agile workforce. All staff are provided with the technology to work remotely. We recently moved energy supplier to improve our green credentials. The supplier was chosen because the electricity they supply is 100% generated from solar, wind or hydro power. In addition, the company uses its profits to invest in new and more efficient ways of generating renewable energy.

Our office also has facilities such as bike storage, showers and changing rooms, as well as proximity to public transport networks. We continue to look for ways to reduce the carbon footprint within our operations and are actively investigating options for carbon offsetting for where appropriate.

Business travel

Whilst it is not always logistically possible, we encourage staff to travel by public transport as much as possible. We have undertaken analysis of our staff business travel over the 12-month period to 30 September 2022.

We have also assessed the mileage from these journeys to estimate the associated fossil fuel emissions from our business travel. We used a tool published by the Greenhouse Gas Protocol (GHG Protocol) which uses emissions factors from DEFRA. Whilst air travel made up 55% of mileage, it accounted for 80% of carbon emissions over the period. Rail accounted for 37% of mileage, but contributed 10% of carbon emissions; whereas car travel represented 8% of mileage and contributed 10% of carbon emissions.

Table 1: Carbon Intensity Reduction Against 2019 Baseline

Portfolio	Reduction %	2021 Portfolio	2019 Baseline
Brunel Aggregate	35.16	222.2	343
Active Portfolios			
Brunel UK Active Portfolio	25.89	209.0	282
Brunel Global High Alpha Portfolio	50.37	149.3	301
Brunel Emerging Markets Portfolio	32.89	382.7	570
Brunel Active Low Volatility	35.70	214.07	334
Brunel Sustainable Equities Portfolio	15.44	282.3	334
Brunel Core Global Equalities	65.13	116.4	334
Brunel Smaller Companies*	27.11	225.2	309
Brunel Sterling Corporate Bond Fund**	-0.67	185.4	184
Passive Portfolios			
Brunel Passive Low Carbon	53.35	140.3	301
Brunel Passive Smart Beta	31.46	379.5	554
Brunel Passive UK	-4.67	294.4	281
Brunel Climate Transition Benchmark UK Equity Index	18.47	229.3	281
Brunel Passive World Developed	16.98	251.6	303
Brunel Paris Aligned World Developed Equity Index	43.42	171.5	303
Brunel Climate Transition Benchmark Developed Market Equity Index	22.50	234.9	303

* *Trucost updated methodology in 2020 means we have taken December 2020 as a baseline for the Smaller Companies Portfolio*
** *This Portfolio has a baseline of 31 December 2021*

Figure 1: Business travel

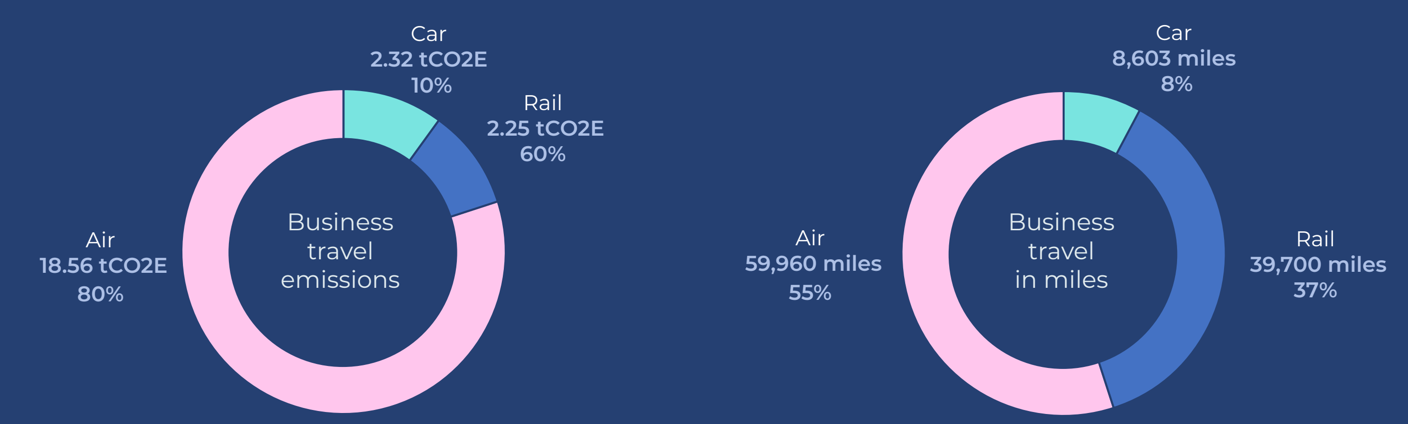


Table 2: Business travel 2022

Mode of transport	Miles travelled	CO2 (tonnes)	CH4 (tonnes)	N2O (tonnes)	CO2e (tonnes)	Emissions factor source
Car	8,603	2.315	2.099E-06	1.548E-05	2.320	UK DEFRA, Passenger vehicles, 2022
Rail	39,700	2.243	4.472E-06	2.045E-05	2.248	UK DEFRA, Business Travel - land, 2022
Air	59,960	18.539	9.650E-07	9.264E-05	18.563	UK DEFRA, Business Travel - air, 2022
Total	**108,263**	**23.097**	**7.536E-06**	**1.286E-04**	**23.131**	

Emissions estimated using GHG Protocol Model: World Resources Institute (2015) GHG Protocol tool for mobile combustion, using 2022 DEFRA Emission Factors.

Disclosures: gender pay and CEO pay

Fostering change: Gender Pay

Brunel has fewer than 250 employees, so is not required to disclose its gender pay gap. However, since Brunel is committed to transparency and to making itself an attractive employer, the Remuneration Committee voluntarily discloses our gender pay gaps.

Brunel aims to create an inclusive and diverse workplace and the gender pay review helps us to monitor fair remuneration within our workforce. We have, where possible, adopted hiring practices that address the gender pay gap through looking for a gender-balanced cohort of candidates and seeking balance across a much broader range of diversity and inclusion metrics.

First of all, we want to acknowledge our gender pay gap. Primarily, that reflects the fact that, over the reporting year, the lower quartile still largely comprised female members of staff (81%), up from 69%. This reflected the creation of new administrative roles, and the preponderance of female applicants. As the graphics demonstrate, our other quartile changes show mixed results, and the median hourly rate difference between male and female staff has increased.

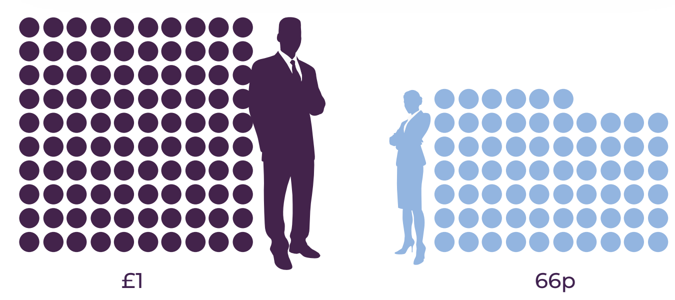
As previous Annual Reports show, the general trajectory remains strong all the same, in line with Brunel's awareness of the issue and long-standing commitment to address the gap through training and flexible working. Our efforts in the past year were particularly focused on recruitment; development of our people; and workplace culture. Our new People Strategy only added to the momentum.

Median and mean pay ratios

Women's median hourly rate is **44%** lower than men's compared to **35%** last year.

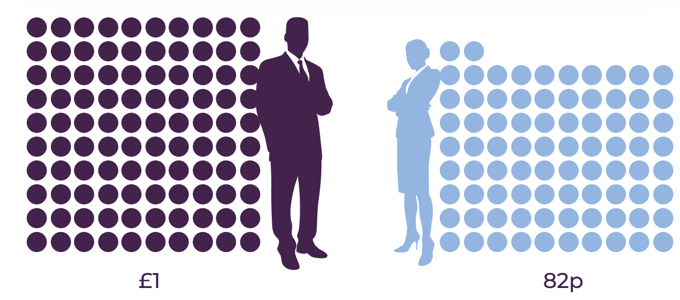
Women's mean hourly rate is **18%** lower than men's, compared to **17%** in the previous year.

Median pay ratios



The median figure, ignores extremes and is therefore the most representative measure of the data.

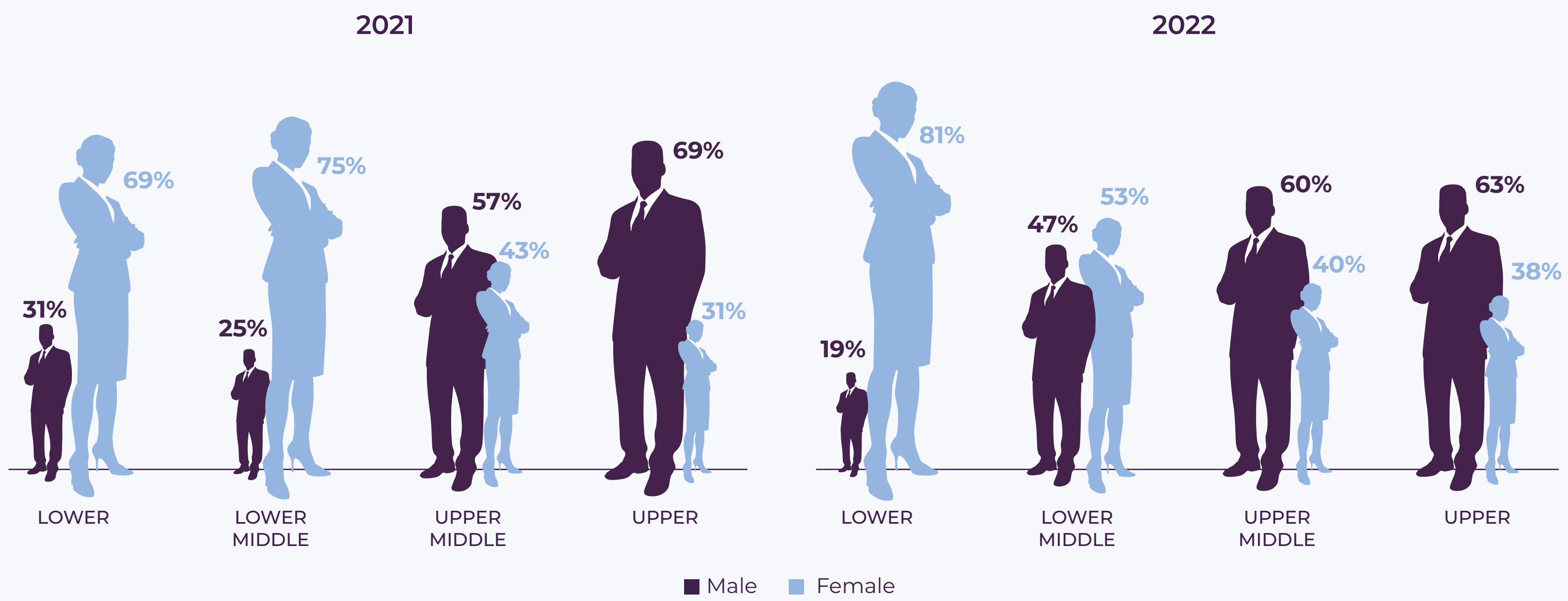
Mean pay ratios



Although there doesn't look to be much of a disparity in the mean pay ratio this is partly due to having a female CEO.

Brunel pay quartiles: Men versus women

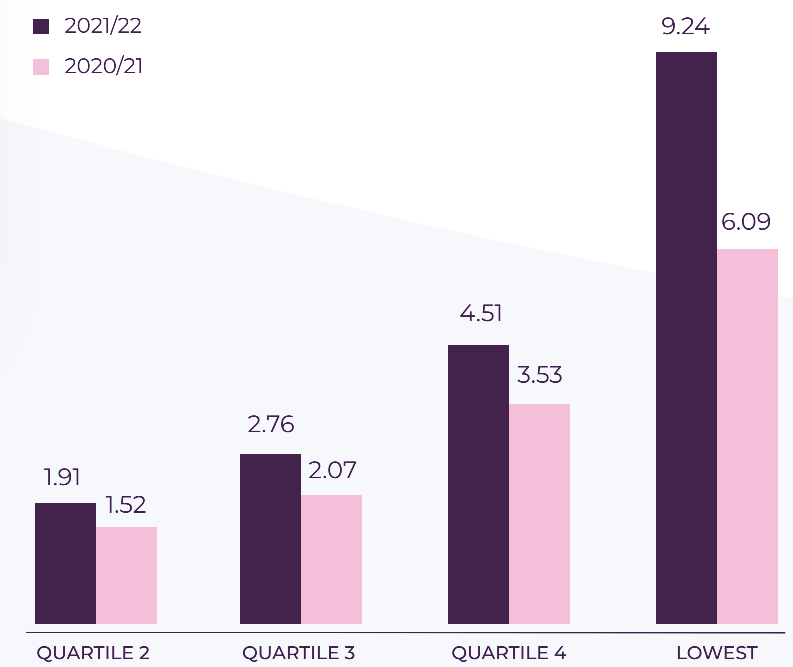
What percentage of each Brunel pay quartile do women and men each account for?



CEO pay ratios

The CEO pay ratios examine the relationship between the employee salaries throughout the organisation and the CEO's pay. These ratios show how much the CEO earns relative to employees in each quartile. The CEO pay ratio increased due to an increase in CEO salary (partially to rebalance between base pay and pension) and a decrease in the lowest pay level in the company.

CEO Pay Ratio



	2021/22	2020/21	Change
Quartile 2	1.91	1.52	0.39
Quartile 3	2.76	2.07	0.69
Quartile 4	4.51	3.53	0.98
Lowest	9.24	6.09	3.15

Managing risks for the long-term

REPORT FROM CHAIR OF AUDIT, RISK AND COMPLIANCE COMMITTEE

By Patrick Newberry

The environment in which Brunel operates became significantly riskier over the reporting year. Heightened geopolitical risk, a worsening global economic outlook, climate change and political instability in the UK all contributed to a more difficult context for our business. From the outset of our journey, effective risk management has been identified as key to our success and we maintain high standards of risk management, actively monitoring current risks whilst scanning the horizon for emerging ones; we built Brunel's operating model to be inherently low risk, through the design of the investment model and the use of strong outsourced service providers.

The Board is accountable for ensuring that a robust system of risk management and internal control is in place. We use the 'Three Lines of Defence' model to assess and manage risks, setting clear risk appetite limits and financing the residual risks with appropriate capital resources. The Financial Conduct Authority's capital adequacy requirements are changing significantly, with the introduction of the UK Investment Firm's Prudential Regulation (IFPR) regime, which introduces new capital and liquidity requirements, revised remuneration and governance standards and requires investment firms to complete an Internal Capital Adequacy and Risk Assessment (ICARA). Core to the new approach is the identification and management of the risk of harm to clients. We have a major project in hand to implement the new requirements, which means a significant shift in thinking to place greater emphasis on the needs and protection of clients. We believe that Brunel's culture, which emphasises the importance of adding value for our clients, aligns well with the new thrust of investment management regulation.

Three lines of defence

Devon countryside
Credit: George Hiles, Unsplash

Our strong culture also embodies good Responsible Investment (RI) principles and is a significant contributor to effective risk management. As an investment manager that focuses on high RI standards, it is only logical that we should apply these standards to ourselves. We place significant reliance on the good conduct of our employees and, from inception, have developed our culture to support employees managing risks within the appetite set as part of our risk management framework.

At a macro level, during 2021-22 our particular focus was on the increased cyber security threat, the risks arising from heightened geopolitical tensions, and the evolution of our hybrid working model.

Key Risks

We define risk under four headings: strategic, financial, operational, and conduct. Our exposure to these risks is assessed in the light of the current environment, taking into consideration the views of the risk owners, and the regulatory, client and political environments, together with input from other subject matter experts inside and outside the business. Each quarter, the Audit and Risk Committee ('ARC') considers those risks it believes to be heightened by contemporaneous events and then undertakes further work to ensure those risks are mitigated and managed within our agreed tolerance levels.

During 2021-22 Brunel's key risks included people risks, arising from the aftermath of the global pandemic and cost of living pressures; cyber security risks, which are ongoing and exacerbated by geopolitical instability; climate change risk, likewise ongoing and exacerbated by slower-than-hoped-for progress in reversing the causes of global warming; and product innovation risk, which is the risk of Brunel not keeping pace with changing client requirements.

ARC has continued to focus on the impact of the development of Brunel's operations as investment transition nears completion, and we continue to refine and improve the operating model. Brunel continues to make extensive use of outsourced providers for operations. ARC keeps the risk management and internal control arrangements of outsourced providers under close scrutiny to ensure that they are sufficiently robust.

Significant internal audit reports delivered during the reporting year included reviews of client reporting, IT security, conduct risk, investment governance and finance operations. The overall standard of control was found to be good, with areas for continuous improvement helpfully highlighted. We continue to develop the business's risk management framework to ensure that we not only manage known risks effectively, but also so that we have the best chance of anticipating and managing new and emerging risks. This work will remain central to Brunel's commitment to continuous improvement and ongoing determination to deliver significant value for its stakeholders.

Patrick Newberry
Non-Executive Director
and Chair of Audit
and Risk Committee

Caen Hill Lock, Wiltshire
Credit: Pauline Bernfeld, Unsplash

Brunel Pension Partnership: Marking progress

Forging better futures by investing for a world worth living in

2017

Founding of Brunel Pension Partnership

Became member of IIGCC

Signed up to Taskforce for Climate-Related Financial Disclosures

2018

Received FCA approval

Launched RI Policy and first LGPS pool to sign UNPRI

Launched 5 listed market portfolios and private markets cycle across three asset classes

2019

Launched risk management framework

Reached 50% mark for transition of client assets

Launched Low Vol., EM, High Alpha, UK & global property portfolios

2020

Published Climate Change Policy

Launched DRF, Small Cap, Sustainable Equities, risk mgmt. portfolios

Launched PM cycle 2 across four asset classes

European ESG & Climate Risk Mgmt. awards; Pension Fund of 2020

2021

Committed to Net Zero

Completed suite of 17 listed portfolios

Investment, innovation, portfolios, climate risk mgmt. awards

Co-launched FTSE Paris-aligned benchmarks – £4bn transition

Co-launched Asset Owner Diversity Charter

2022

Launched Cornwall Local Impact Portfolio

Launched Climate Stocktake

Identified Biodiversity as a new RI target theme

Launched new People Strategy and employee support mechanisms

Won Impact Investing awards from IPE Europe and Pensions for Purpose

Investing in people: Quality and value

By Roelie van Wijk-Russchen

In 2022, I was appointed Chair of the Remuneration Committee, which crafts Brunel's approach to remuneration so that the company has the leadership team sought by our clients and shareholders. Over the reporting year, the scope of the challenge increased materially.

Brunel's success over recent years is based on a strong partnership and great people. Our development in terms of capability, competency and general headcount has been significant.

Yet in order to ensure this success continues, we must now look at our Remuneration Policy through a more sustainable lens. We can attract individuals who want to work differently and contribute to society differently. They accept that this means a lower level of remuneration versus other options, but they also appreciate how Brunel enables a flexible and mobile workforce.

However, we believe our remuneration in some key areas of the business is set too low versus the wider market, even for those people prepared to prioritise making a difference in their career choices. The problem is particularly acute in the current inflationary environment. Brunel campaigns on fair pay, in line with our Responsible Investment priority themes, and so it is important for us to live up to the same values internally.

We therefore focus on increasing our total compensation to a level we can evidence as fair, based on sustainable benchmarking and a more flexible pension offering. The challenge remains unchanged: to retain and attract people who play an important role in achieving our shareholders' *Value for Money* objectives and all the cost savings that come with it. We will remain focused on that priority in the year ahead.

"Brunel's success over the recent years is based on a strong partnership and great people. Our development in terms of capability, competency and general headcount has been significant."

The Cloisters at Gloucester Cathedral

Roelie van Wijk-Russchen
Chair of the Remuneration Committee

Company information

The company is a private company and is registered in England and Wales.

Registered Number: 10429110

Registered office: 101 Victoria Street, Bristol, BS1 6PU

FCA Registration number: 790168

Directors

Laura Jane Chappell	Chief Executive Officer
Denise Marie-Reine Le Gal	Chair
Patrick John Newberry	Non-Executive Director
David John Vickers	Chief Investment Officer
Joseph Andrew Webster	Chief Operating Officer
Elizabeth Louise McKenzie	Non-Executive Director
Miles Anthony Sloan Geldard	Non-Executive Director
Roelofje van Wijk-Russchen	Non-Executive Director

Bankers

National Westminster Bank PLC

External Auditors

PKF Littlejohn LLP

Internal Auditors

Deloitte LLP

Tax Advisors

Deloitte LLP

PricewaterhouseCoopers LLP

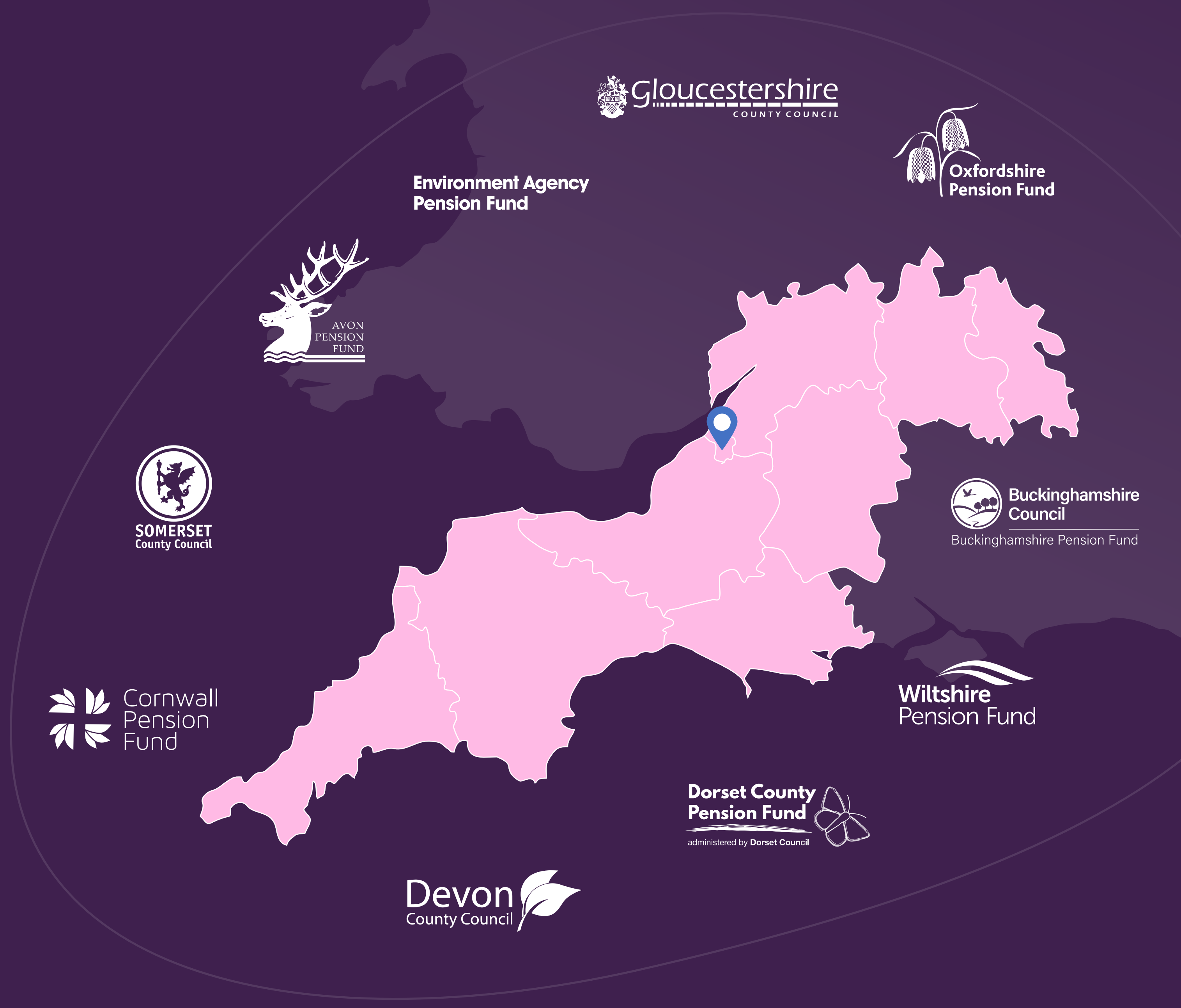
Legal Advisors

Eversheds Sutherland

Financial Advisors

PricewaterhouseCoopers LLP

Brunel Pension Partnership



Overall financial performance

Corporate performance

During the year ending 30 September 2022, Brunel made a profit of £0.2m (2021: £0.5m) before pension service charges, interest, and taxation. Brunel's pricing policy allows it to invoice clients for its forecast operating costs on a cost-plus basis. We provided a chargeable service to clients, recognising revenues of £11.8m, before other income, (2021: 10.9m).

An operational loss before tax is reported of £1.0m (2021: £0.4m) which includes the pension service charges. Total comprehensive income for the year is a loss of £1.3m (2021: £0.7m). Brunel has benefitted from the significant actuarial gains (£9.0m) arising from the reduction in its net defined pension obligations, but this was offset from the subsequent fall in the value of the Pension Recharge Asset (£7.6m) which aligns to this obligation along with a reduction in the deferred tax asset (£1.9m) from the reduced pension liability. This has been driven by the significant increase in bond yields year on year.

The year-end cash balance was £10.8m (2021: £10.6m), which includes an amount of deferred revenue relating to the coming year of £3.1m (2021: £3.0m).

In the financial statements, accounting for the defined benefit pension scheme is the most complex item, so to help users of this report we've included some supplementary detail.

At year-end, under FRS102 rules an accounting adjustment must be added to represent the actuary's view of the pension current service, over and above the contributions paid into the pension fund. This year the difference was a £1.2m charge (2021: £0.8m). This adjustment is reversed through the actuarial gains and losses within the Total Comprehensive income for the period. This impact is shown in the table below.

Movement in Pension Liability

In 2020 a Pension Recharge Agreement (PRA) was provided by our shareholders which largely mitigates the volatility of the movement in pension liabilities.

The current position of the pension liability and value of the pension reimbursement asset is shown below.

Due to the significant movement in bond yield from the previous year the discount rate used to measure the pension liabilities increased by 2.95%, which significantly lowered the liabilities. This was partially offset by a smaller uptick in the long-term inflation assumption of 0.4%.

The pension reimbursement asset is valued by our advisers (PwC) taking account of future anticipated cashflows to fund the long-term pension liability position and the virtual certainty provided by the signed Pension Cost Recharge Agreement. Both the pension liabilities and pension reimbursement asset models are subject to sensitivities which are shown in the notes to the financial statements. Although the pension reimbursement asset is intended to offset the pension liability, movements in the asset and liability do not exactly match each other because accounting standards require the use of different discount rates to derive values for the asset and liability.

	2022 (£'000)	2021 (£'000)
Turnover and Other income	**12,021**	**10,945**
Cost of sales/ Admin Expenses	(11,838)	(10,485)
Management view: Profit (before Pension Service Charges, Interest and taxation)	**183**	**460**
Pension Current Service/Net Interest Cost*	(1,231)	(810)
Profit/Loss before taxation	**(1,048)**	**(350)**
Taxation	255	201
Profit/(Loss) for the period	**(793)**	**(149)**
Actuarial gains and losses*	9,035	(509)
Remeasurement of pension reimbursement asset	(7,574)	1,110
Tax on items of other total comprehensive income	(1,981)	247
Total comprehensive income for the period	**(1,313)**	**699**

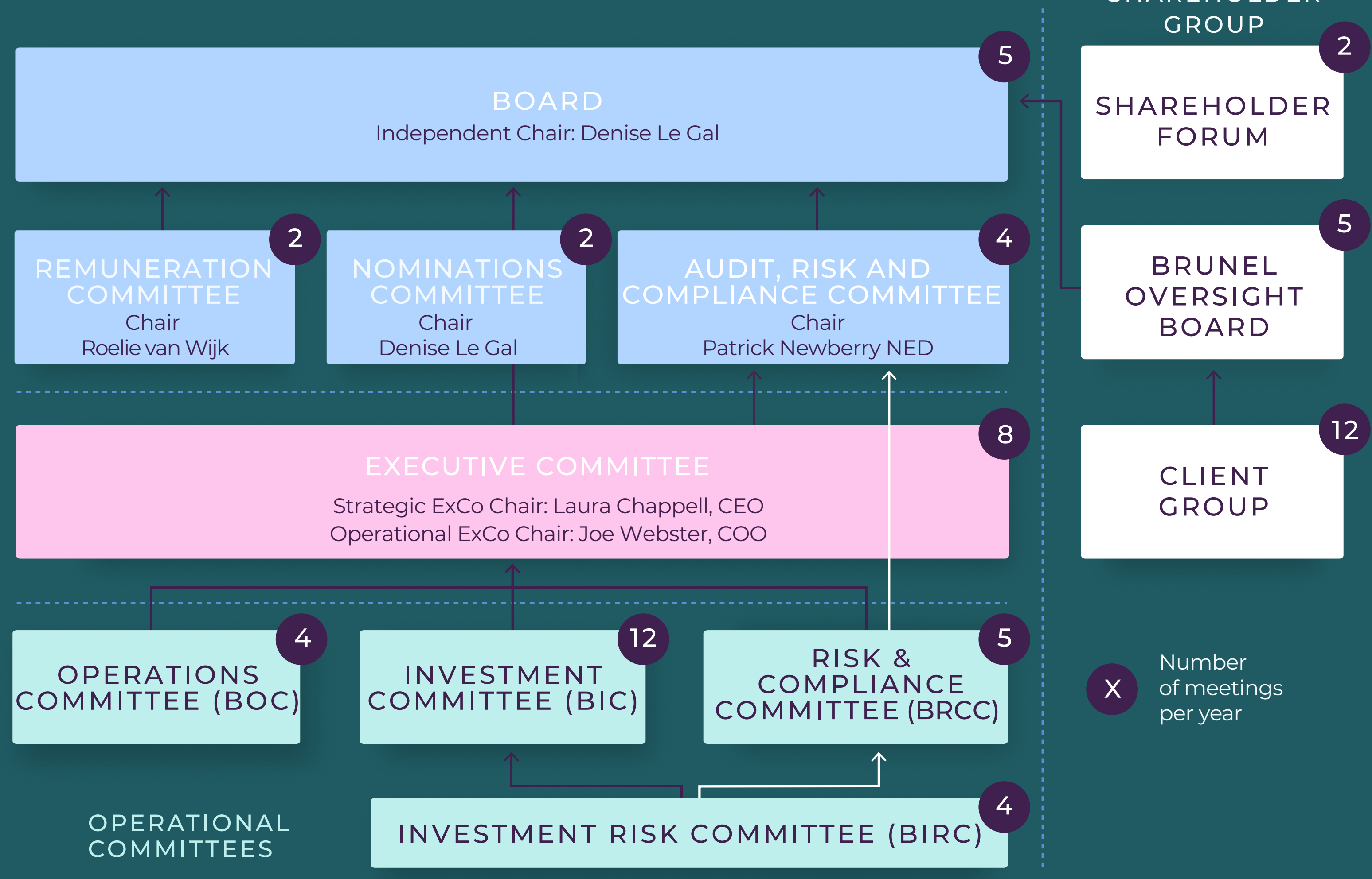
** Pension Current Service costs are reversed as part of the overall movement in the actuarial gains and losses.*

	2022 (£'000)	2021 (£'000)	Movement (£'000)
Pension scheme assets	8,872	8,439	433
Pension defined benefit obligations	(8,974)	(16,345)	7,371
Net pension liability	**(102)**	**(7,906)**	**7,804**
Pension reimbursement asset	**102**	**7,676**	(7,574)
Gap	**-**	**(230)**	**230**
Coverage	**100.0%**	**97.1%**	

Movement in the pension liabilities:	Net Pension Liability (£'000)	Pension Reimbursement Asset (£'000)
Excess current service costs over contributions paid	(1,231)	
Change in financial assumptions and experience items	9,810	(7,574)
Returns of assets on scheme assets in excess of interest income	(775)	
	7,804	**(7,574)**

Governance structure

BOARD AND SUB-COMMITTEES



Corporate Governance

Membership of board committees / attendance

Brunel governance

- Brunel is an FCA regulated MIFID firm and accordingly needs to comply with the relevant FCA Handbook rules which include the FCA Principles for Business, PRIN 2.1. These are general statements of fundamental obligations which apply to all FCA regulated firms.
- As of 30 September 2021, the Board of Brunel consists of five Independent Non-Executive Directors (NEDs): Denise Le Gal (Chair), Liz McKenzie (Shareholder NED), Patrick Newberry, Roelie van Wijk and Miles Geldard
- Independent Non-Executive Directors chair all Board subcommittees and are the only permanent members
- Executive members of the Board are the CEO, COO and CIO
- The Brunel Oversight Board comprises one representative from each Pensions Committee (ten in total), and two member-representative observers, Andy Bowman and Alistair Bastin
- Client Group is made up of Client Fund Officers

Clovelly, Bideford, Devon
Credit: Beren Sutton-Cleaver, Unsplash

Stakeholder engagement

It is crucial that Brunel and its operations align with the priorities of the pension committees of our client funds. This was therefore a continuing priority through the reporting year. Representatives from the investment and executive teams met with committees 19 times during the year, as well as providing nine training days on a range of investment themes. Brunel remains committed to attending client pension committees, as well as the numerous sub-committees, in order to facilitate effective investment processes.

We held a successful hybrid Investor Day in September, which was very well attended. The day contained presentations by the CIO, Stewardship Manager, and Brunel's external fund managers covering listed and private markets.

At a time when the public focus on environmental and social issues is so evident, it is a priority for Brunel to keep stakeholders both well informed and equipped to respond to the concerns of their members on these critical issues. Our core work continued to reflect both environmental and social priorities, not least the launch of the Cornwall Local Impact portfolio (see page 5).

Shareholder assurance is provided by the Brunel Oversight Board, which met five times during the year, with active attendance from all ten of the client funds and the two scheme member representatives. Discussion topics have covered the evolution of Brunel's response to climate change, investment performance and review of market conditions, as well as the strategic plans for the business.

Across the partnership greater direct connectivity with shareholders continued. The Shareholder Non-Executive Director chaired two Shareholder Forums in the year alongside attending nine Shareholder face-to-face meetings. This adopts a positive approach to engagement, including via inputs into the Shareholder NED and Chair appraisal processes.

Brunel has a further responsibility to engage with the wider investment industry and we continued to do so through the year, whether through our shareholder representative EOS Hermes, or in close coordination with Climate Action 100+, the IIGCC, local activist groups and, more broadly, at COP 27. Meanwhile, team members were active participants at forums addressing groups across the LGPS community, while engaging with both policymakers and regulatory bodies.

At the same time, we adopt an active stance via a range of media to promote the values of the company, its shareholders, and members, as well as the achievements of the partnership. The awards over the year testify in part to the value others place on our external engagement.

Joe Webster
Director and Chief Operating Officer

Croyde Bay, Devon
Credit: Unknown, Unsplash

Directors' report

BRUNEL PENSION PARTNERSHIP LIMITED

For the year ended 30 September 2022

The Directors of Brunel Pension Partnership Limited (Brunel) present their report and the financial statements for the year ended 30 September 2022.

Directors' responsibilities statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Section 31 of the Company's Articles of Association outlines an indemnity provision for all Directors and relevant officers. The Company also has in place Directors & Officers Professional Indemnity Insurance to provide an amount of cover for any relevant loss.

Castle Combe village, Wiltshire

Results and dividends

The loss for the year, after taxation, amounted to (£793,166) (2021: (£149,500)).

No dividends were paid during the year (2021: nil) and no recommendation is made to pay a final dividend.

Expected future developments

With all listed markets funds now complete, we transitioned client funds to the new climate-aligned passive benchmarks and launched another cycle of private market investments in 2022. We also launched our Climate Stocktake, continued to support our clients' emerging and developing reporting requirements (e.g. on TCFD disclosures) along with the launch of Cornwall's Local Impact Fund. Next year we aim to keep developing our portfolios in line with client requirements, investing in a way that focuses across our RI priorities and implements our value-for-money scorecard which has been developing over the past year.

Political or charitable donations

During the financial year the Company did not make any political or charitable donations. Brunel staff select a charity or charities to support; donations come directly from people within Brunel and external supporters rather than direct from Brunel itself.

Directors

The Directors who served during the year and their appointment / resignation dates were:

Name	Appointed	Resigned
Laura Jane Chappell	-	-
Miles Anthony Sloan Geldard	-	-
Denise Marie-Reine Le Gal	-	-
Elizabeth Louise Mckenzie	-	-
Patrick John Newberry	-	-
Roelofje van Wijk-Russchen	-	-
David John Vickers	-	-
Joseph Andrew Webster	-	-

Board attendance

The list below shows the attendance at Brunel Board meetings by Board Directors during the year. There were five formal Board meetings held during the financial year ending 30 September 2022.

Laura Jane Chappell	5/5
Miles Anthony Sloan Geldard	5/5
Denise Marie-Reine Le Gal	5/5
Elizabeth Louise McKenzie	5/5
Patrick John Newberry	5/5
Roelofje van Wijk-Russchen	4/5
David John Vickers	4/5
Joseph Andrew Webster	5/5

Pension scheme

The Company participates as an Admitted Body in the Wiltshire Pension Fund (the 'Fund') which operates a defined benefit pension scheme. As at 30 September 2022, the actuary has reported a pension deficit of £102,000, (2021: £8,158,000).

To mitigate the impact of this pension deficit, Brunel entered into a Pension Cost Recharge Agreement ("PRA") on 24 September 2020. The implementation of the PRA provides certainty to Brunel that its shareholders will reimburse any LGPS pension-related cashflows. See note 4.7 for more details.

Disclosure of information to auditor

Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that:

- so far as that Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information

Post balance sheet events

There has been one post balance sheet event in relation to an insurance claim which the insurer accepted and it agreed to pay £259k in line with the contingent asset outlined in the accounts.

Independent auditors

At the Board Meeting held on 19 January 2023, PKF Littlejohn LLP was reappointed as auditor of the Company, in accordance with s487 of the Companies Act 2006. PKF Littlejohn LLP have expressed its willingness to continue in office as auditor. Following the finalisation of the 2021-22 external audit, PKF Littlejohn LLP will be proposed for reappointment as auditor of the Company at the Annual General Meeting on 09 March 2023.

This report was approved by the Board on 19 January 2023 and signed on its behalf.

Laura Chappell
Director and Chief Executive Officer
24 January 2023

Royal York Crescent, Clifton in Bristol

Report of the Independent Auditor

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRUNEL PENSION PARTNERSHIP LIMITED

For the year ended 30 September 2022

Opinion

We have audited the financial statements of Brunel Pension Partnership (the 'company') for the year ended 30 September 2022, which comprise the statement of Total Comprehensive Income, the Statement of Financial Position, the Statement of Cashflows, the Statement of Changes in Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Snow covers St Mary's Church, Old Amersham, Buckinghamshire

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Hertford Bridge, also known as the Bridge of Sighs, a skyway connecting buildings at Hertford College, Oxford

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the company and the sector in which it operates to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management and application of audit knowledge and experience of the Company and the financial services sector.
- We determined the principal laws and regulations relevant to the company in this regard to be those arising from the Companies Act 2006, relevant employment and tax legislation and the rules of the Financial Conduct Authority. The Company is regulated by the FCA and we considered the extent to which non-compliance with the FCA regulations might have a material effect on the Company's financial statements.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the company with those laws and regulations. These procedures included, but were not limited to:
  - Discussions with management of any known, or suspected instances of non-compliance by the Company
  - Discussions with management of any, or suspected, incidence of fraud
  - Review of any correspondence with the FCA
  - Review of any breaches during the year
  - Review of board minutes and other correspondence where deemed appropriate
- We also identified the risks of material mis-statement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, the risk of material misstatement due to fraud related revenue recognition and accuracy and completeness of expenses. To address these areas our work on revenue included a recalculation of expected revenue based on the underlying client agreements and for expenses we agreed payroll costs to supporting reports and bank receipts reviewed a sample of items in the nominal ledger, relating to cost of sales and admin expenses to supporting evidence.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

- Auditor's Responsibilities
- Description of the Auditor's Responsibilities
- Ethical Standards for Auditors

This description forms part of our auditor's report.

Use of our report

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.

Ian Cowen
Senior Statutory Auditor
for and on behalf of PKF Littlejohn LLP
Statutory Auditor
15 Westferry Circus, Canary Wharf
LONDON E14 4HD
25 January 2023

Statement of total comprehensive income

BRUNEL PENSION PARTNERSHIP LIMITED

For the year ended 30 September 2022

	Note	2022 (£)	2021 (£)
Turnover		11,761,902	10,944,536
Other income	6	259,000	-
Cost of sales	7	(6,219,447)	(5,589,348)
Gross profit		**5,801,455**	**5,355,188**
Administrative expenses	8	(6,899,282)	(5,710,100)
Operating Loss		**(1,097,827)**	**(354,912)**
Interest receivable and similar income		51,288	5,889
Interest payable and similar charges		(1,310)	(1,328)
Loss before taxation		**(1,047,849)**	**(350,351)**
Taxation	11	254,683	200,851
Loss for the year		**(793,166)**	**(149,500)**
Actuarial gains and losses	20	9,035,000	(509,000)
Remeasurement of pension reimbursement asset	20	(7,574,000)	1,110,000
Tax on items of other comprehensive (loss)/ income	11	(1,981,251)	247,130
Total comprehensive (loss) / income for the year		**(1,313,417)**	**698,630**

Residential area in the CIty of Bath
Credit: Akos Nemes, Unsplash

Statement of financial position

BRUNEL PENSION PARTNERSHIP LIMITED

For the year ended 30 September 2022

	Note	2022 (£)	2021 (£)
Assets			
Non-current assets			
Tangible assets	*12*	133,314	170,027
Intangible assets	*13*	-	-
Long term debtors	*14*	151,750	7,725,750
Total		**285,064**	**7,895,777**
Deferred tax asset	*11*	**377,951**	**2,104,519**
Current assets			
Debtors	*15*	1,025,330	983,896
Cash at bank and in hand	*16*	10,809,581	10,630,689
Total		**11,834,911**	**11,614,585**
Total assets		**12,497,926**	**21,614,881**
Liabilities			
Current liabilities			
Creditors: amounts falling due within one year	*17*	5,207,060	5,226,538
Total		**5,207,060**	**5,226,538**
Non-current liabilities			
Net defined benefit obligations	*20*	102,000	7,906,000
Provisions for other liabilities	*21*	119,644	99,704
Total		**221,644**	**8,005,704**
Total liabilities		**5,428,704**	**13,232,242**
Net current assets		**6,627,851**	**6,388,047**
Net assets		**7,069,222**	**8,382,639**

	Note	2022 (£)	2021 (£)
Equity			
Capital and reserves			
Called up share capital	*22*	20	20
Share premium account	*23*	8,399,980	8,399,980
Pension reimbursement asset reserve	*23*	102,000	7,676,000
Retained earnings	*23*	(1,432,778)	(7,693,361)
Total equity		**7,069,222**	**8,382,639**

The financial statements were approved by the Brunel Board on 19 January 2023 and signed on its behalf.

Laura Chappell
Director and Chief Executive Officer
24 January 2023

Company Registration Number: 10429110

Statement of cash flows

BRUNEL PENSION PARTNERSHIP LIMITED

For the year ended 30 September 2022

	Note	2022 (£)	2021 (£)
Cash flows from operating activities			
Operating profit/(loss)		(1,097,827)	(354,912)
Adjustments for:			
Depreciation of tangible assets	*12*	130,550	120,915
Amortisation of intangible assets	*13*	-	18,943
Interest paid		(1,310)	(1,328)
Interest received and similar interest		51,288	5,889
Increase in trade and other debtors	*14 & 15*	(114,890)	(509,052)
Increase in trade creditors and restoration obligation liability	*17 & 21*	73,918	17,026
Post-employment benefits less payments		1,231,000	810,000
Cash from operations		**272,729**	**107,481**
Income taxes paid		-	-
Net cash generated from operating activities		**272,729**	**107,481**
Cash flows from investing activities			
Purchase of tangible assets	*12*	(93,837)	(59,633)
Net cash used in investing activities		**(93,837)**	**(59,633)**
Net increase in cash and cash equivalents		**178,892**	**47,848**
Cash and cash equivalents at the beginning of the year	*16*	**10,630,689**	**10,582,841**
Cash and cash equivalents at the end of the year	*16*	**10,809,581**	**10,630,689**

The company has no debt.

Statement of changes in equity

BRUNEL PENSION PARTNERSHIP LIMITED

For the year ended 30 September 2022

	Share Capital	Share Premium	Pension reimbursement asset reserve	Retained earnings	Total
Balance at 01 October 2020	**20**	**8,399,980**	**6,566,000**	**(7,281,991)**	**7,684,009**
(loss) for the year	-	-	-	(149,500)	**(149,500)**
Actuarial gains and losses	-	-	-	(509,000)	**(509,000)**
Tax on items of other comprehensive income	-	-	-	247,130	**247,130**
Revaluation of pension reimbursement asset	-	-	1,110,000	-	**1,110,000**
Total Other comprehensive income	-	-	**1,110,000**	**(411,370)**	**698,630**
Balance at 30 September 2021	**20**	**8,399,980**	**7,676,000**	**(7,693,361)**	**8,382,639**
(loss) for the year	-	-	-	(793,166)	**(793,166)**
Actuarial gains and losses	-	-	-	9,035,000	**9,035,000**
Tax on items of other comprehensive income	-	-	-	(1,981,251)	**(1,981,251)**
Revaluation of pension reimbursement asset	-	-	(7,574,000)	-	**(7,574,000)**
Total Other comprehensive income	-	-	**(7,574,000)**	**6,260,583**	**(1,313,417)**
Balance at 30 September 2022	**20**	**8,399,980**	**102,000**	**(1,432,778)**	**7,069,222**

Notes to the financial statements

BRUNEL PENSION PARTNERSHIP LIMITED

For the year ended 30 September 2022

1 Company information

The Company is a private company limited and is registered in England and Wales.
Registered Number: 10429110
Registered office: 101 Victoria Street, Bristol, BS1 6PU
Authorised and regulated by the Financial Conduct Authority No. 790168

2 Statement of Compliance

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain defined benefit scheme financial instruments as specified in the accounting policies below. Financial statements are presented in Sterling (£).

3 Going Concern

The Company continues to adopt the going concern basis in preparing its financial statements.

The Company meets its day-to-day working capital requirements through current cash levels and agreed capital funding. The service model launched in April 2018 defined a cost-plus basis which is to be received in advance of delivering the service.

The Company's forecasts and projections, taking account of reasonably possible changes in trading performances, show that the Company should be able to operate within the level of its current cash levels.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least twelve months from the approval of the financial statements. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

4 Principal Accounting Policies

4.1 Tangible assets

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets, other than freehold land, over their expected useful lives, using the straight-line method. The rates applicable are:

- Computer hardware 3 years
- Furniture and equipment 5 years

4.2 Intangible assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is charged so as to allocate the cost of intangibles less their residual values over the estimated useful lives, using the straight-line method.

The Internal Control Environment operates using a bespoke software application that has been developed for Brunel on the Salesforce platform. The cost of this has been amortised over the term of the contract with Salesforce ending on 30/11/2020, using the straight-line method. This has now been fully amortised.

4.3 Impairment of assets

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carry amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4.4 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

4.5 Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

4.6 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Company. All other leases are classified as operating leases.

Payments under operating leases are charged to the Statement of Total Comprehensive Income on a straight-line basis over the period of the lease. Lease incentives are credited to the Statement of Total Comprehensive Income to reduce the lease expense on a straight-line basis over the period of the lease.

4.7 Pensions

The Company provides to certain staff a Defined Contribution Pension Scheme provided by Smart Pension. The accounting treatment is to expense the employer's contributions to the scheme in the Total Income Statement.

The Company participates in a defined benefit scheme administered by Wiltshire Council as part of the Local Government Pension Scheme. A defined benefit scheme defines the pension benefit that the employee will receive on retirement usually dependent upon several factors including but not limited to age, length of service and remuneration.

The liability recognised in the Statement of Financial Position in respect of the defined benefit scheme is the estimated present value of The Company's share of the defined benefit obligation at the Statement of Financial Position date less the Company's share of the fair value of scheme assets at the Statement of Financial Position date out of which the obligations are to be met.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to estimate the defined benefit obligation.

The fair value of scheme assets is measured in accordance with FRS102 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

The cost of the defined benefit scheme, recognised in the Statement of Comprehensive Income as employee costs, compromises:

- The increase in net pension benefit liability arising from employee service (including transfers received) during the period; and
- The cost of scheme introductions, benefit changes, curtailments and settlements

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of the Company's share of scheme assets. This cost is recognised in the Statement of Comprehensive Income within Administration Expenses.

The actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income.

Pension reimbursement asset

As noted above, the Company provides access to a defined benefit pension scheme through the Wiltshire Pension Fund Local Government Pension Scheme ("LGPS") ("the Fund") for certain staff transferred from public sector bodies in the LGPS. The Company participates in the Fund via its Admission Agreement, which provides for three types of contributions or payments:

- regular ongoing (certified by Fund actuary);
- exit payments; and
- actuarial strain/additional contributions.

As with all defined benefit schemes the quantum of these contributions can be volatile since they are dependent on a range of actuarial risks which the Company has no control over (prior to arranging protections). To mitigate this volatility, during the year ending September 2020 the Company entered into a Pension Cost Recharge Agreement ("PRA"). The implementation of the PRA provides certainty to the Company that its shareholders will reimburse any LGPS pension related cashflows, including reimbursement of all regular ongoing contributions, all additional contributions (e.g to fund discretionary early retirements or other discretionary benefits) and all exit payments.

The Company will be reimbursed either through its Annual Operating Charge or where additional one-off pension costs or an exit payment are requested by the Wiltshire Pension Fund, an Additional Employer Contributions invoice will be raised.

The directors are of the opinion that this comprehensive pension risk removal allows the PRA to act as a reimbursement asset for the purpose of FRS 102 reporting, and recognition of an asset is consistent with other companies in the sector which have implemented similar arrangements.

FRS 102 requires such assets to be treated in the same way as scheme assets, and so measured at fair value. The directors have considered what an appropriate measurement of fair value would be, and in particular the guidance in FRS 102 and have used a model which discounts future contribution streams back to 30 September 2022 which would be necessary to pay off the funding deficit. As a result of fair valuing these contribution streams it is not always expected that the asset will exactly offset the liability because accounting standards require the use of different discount rates for valuing the pension recovery asset and the pension liability. Any differences will be recognised in other comprehensive income.

The pension reimbursement asset is recognised as a long-term debtor in the Statement of Financial Position and the corresponding credit recognised as a Pension reimbursement asset reserve in equity.

The pension reimbursement asset reserve represents a non-cash commitment from the shareholders and forms part of shareholders reserves under the Pension Reimbursement Asset Reserve.

The PRA value is aligned to the movement in the net pension liability and is available for immediate funding of any risks or losses arising therein. Adverse or favourable movements in the actuarial pension liabilities are broadly offset by the PRA, the fair value of which will change from year to year for this specific reason. The movement in actuarial gains and losses is a non-cash movement recognised through OCI together with any subsequent change in the fair value of the PRA. Any change in the fair value of the PRA is reflected in the Pension Reimbursement Asset Reserve.

4.8 Provisions for liabilities

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

4.9 Taxation

Current tax is recognised as the amount of income tax payable in respect of the taxable profit for the current or past reporting years using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences arising in the income statement at the reporting date, except as otherwise indicated.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

The tax expense/(income) is presented either in profit or loss, other comprehensive income or equity depending on the transaction that resulted in the tax expense/(income).

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

In the spirit of transparency, we observe that tax and accounting rules create an unequal recognition of deferred tax relating to the pension transactions. In summary, we are required to recognise the deferred tax asset relating to pension charges made through the comprehensive income statement to date, but we are only able to recognise the liability on the Pension Reimbursement Reserve to the extent that movements in excess of the initial reserve are booked to Other Comprehensive Income. No deferred tax liability is recognised on the initial recognition of the Pension Reimbursement Reserve because i) there was no movement through the comprehensive income statement relating to the creation of the pension asset and therefore no tax timing difference is deemed to have arisen, ii) the likelihood of calling upon the pension reimbursement asset is low and iii) upon calling for the monies to be received there is uncertainty on the tax treatment of any consideration received.

The deferred tax analysis of the initial establishment of the Pension Reimbursement Reserve creates asymmetry in the balance sheet presentation of deferred tax with a deferred tax asset being recognised in respect of the pension liability and a deferred tax liability only recognised in respect of movements on the Pension Reimbursement reserve in excess of its original valuation. In order to reflect the true, expected economic reality of the pension arrangements of the Company, a corresponding deferred tax liability would be recognised, however this is not permitted by accounting standards. The deferred tax asset, in part driven by losses relating to pension charges incurred to date, will be used to offset taxes on future profits. In the unlikely event that the pension reimbursement asset is called upon, it is possible the monies received will create a tax liability not covered by a deferred tax provision.

4.10 Turnover

Turnover is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes. Turnover comprises forecast cost plus a mark-up of 5% for October 2021 – March 2022 and a forecast cost plus mark-up of 3% for April 2022 – September 2022.

4.11 Equity

Equity instruments issued by the company are recorded at a level representing the value of the proceeds received. Share capital represents the nominal value of shares that have been issued.

5 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Company financial statements requires management to make judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

Deferred taxation

The financial statements include estimates with regards to timing of future cashflows with respect to deferred taxation as disclosed in notes 4.9 and 18.

Pension valuation

Estimations 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. An actuary is engaged to provide the 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. This liability is covered by the Pension Recharge Agreement. Notes 4.7 and 20 detail this further.

Restoration provision

The financial statements include an estimate in relation to our site restoration obligations. Details relating to this are detailed in note 21.

6 Other income – contingent asset

The Company has included a provision in the accounts in respect of a claim from one of its Clients regarding a trading incident during the year which remains on-going at the end of the reporting period. The claim relates to £309k. Management is reasonably confident that the insurance providers will reimburse the claim, less the policy's retention and therefore an asset for £259k was recognised and shown within Other Income on the Income Statement. This claim has now been accepted by the insurers and settlement is going through internal governance processes.

A provision was also made within Administration Expenses for £309k in respect of the claim.

7 Cost of sales

	2022 (£)	2021 (£)
Strategic Transition Management	-	60,000
Research Fees	29,891	27,887
Custodian and Administrator Services	810,441	656,964
Fund investment advice	992,570	1,003,539
Data Views, Sources and Benchmarks	615,225	510,901
Costs associated with Investment team activities*	3,771,320	3,330,058
	6,219,447	**5,589,348**

**Costs associated with Investment team activities include direct salaries and an apportionment of overheads. This amount includes staff costs of £2,540k (2021: £2,288k), and an apportionment of Operating Lease rentals of £28k (2021: £26k).*

8 Administrative expenses

	2022 (£)	2021 (£)
Statutory Audit Fees	41,573	54,028
Fee for non-audit services: Client Asset Assurance	5,000	7,500
Legal Fees	19,001	646
Consulting and Advisory	841,265	993,614
Operating Lease Rentals	53,309	45,860
Directors Emoluments	874,098	729,718
Staff Emoluments*	2,884,766	2,229,314
Staff Costs	43,789	30,312
Staff Development	84,586	69,701
Travel Costs	31,038	5,863
Office Running Costs	88,507	80,191
IT Development	223,591	202,230
Recruitment Costs	112,136	102,454
Insurance	398,803	317,756
Insurance Contingent Liability	309,000	-
Depreciation	114,441	109,088
Amortisation	-	18,943
Other Expenses	783,379	712,884
	6,899,282	**5,710,100**

**the Company recognises a provision of £87,292 (2021: £105,119) for annual leave accrued by employees as a result of services rendered in the current year, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable for the period of absence.*

The Staff Emoluments figures for 2022 and 2021 include pension contributions paid during the year, in 2021 these were originally included under Other Expenses. 2021 figures have been restated.

Costs associated to Investment team activities have been classified as Cost of Sales in the Statement of Comprehensive Income.

9 Directors and employees

Staff costs during the year were as follows:

	2022 (£)	2021 (£)
Wages and salaries	4,261,518	3,673,461
Social security costs	554,794	439,003
Other pension costs	716,598	618,091
	5,532,910	**4,730,554**

As noted previously, the Company operates a defined benefit pension scheme for the benefit of certain employees and executive directors. The assets of the scheme are administered by the Wiltshire Pension Fund. Employer contributions are recognised as an expense during the year, these amount to £716,598 (2021: £618,091). Not included in these tables are FRS102 pension cost adjustments made at the 2022 year-end that bring the total expense to £1,947,598 (2021: £1,428,091).

The Company also provides a Defined Contribution Scheme provided by Smart Pension, the accounting treatment is to expense the employer's contributions to the scheme which amounted to £13,418 for the year (2021:0).

The average number of employees, including Directors, during the year was 58 full time equivalent (2021: 48).

Remuneration in respect of key personnel was as follows:

	2022 (£)	2021 (£)
Emoluments	1,667,967	1,409,486
Social security costs	218,469	178,598
Pension contributions	281,465	244,988
	2,167,901	**1,833,071**

Remuneration in respect of Directors was as follows:

	2022 (£)	2021 (£)
Emoluments	715,000	587,264
Social security costs	92,770	72,322
Pension contributions	66,328	70,132
	874,098	**729,718**

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

	2022 (£)	2021 (£)
Emoluments	194,000	145,000
Social security costs	26,739	18,794
Pension contributions	13,418	26,825
	234,157	**190,619**

10 Auditors remuneration

Fees payable to the Company's auditors for the audit of the Company's annual financial statements totalled £40,000 (2021: £44,000) ex VAT.

Fees payable to the Company's auditors in respect of other audit related services were £5,000 (2021: £7,500) ex VAT. These services relate to the provision of a Client assets report to the Financial Conduct Authority in 2022 and 2021.

11 Taxation

	2022 (£)	2021 (£)
Current Tax:	-	-
Deferred tax:		
Origination and reversal of timing differences	(193,559)	(57,086)
Adjustment in respect of previous years	-	-
Effect of changes in tax rates	(61,124)	(143,765)
Total deferred tax	**(254,683)**	**(200,851)**
Total tax per income statement	**(254,683)**	**(200,851)**
Other comprehensive income items:		
Deferred tax current year charge/(credit)	1,981,250	(247,130)
	1,981,250	**(247,130)**

The tax assessed for the year is lower than the standard rate of corporation tax in the United Kingdom at 19% (2021: 19%). The differences are explained as follows:

	2022 (£)	2021 (£)
(Loss)/Profit for the year before tax:	(1,047,849)	(350,351)
Tax on profit at standard UK tax rate of 19% (2021: 19%):	(199,091)	(66,567)
Effects of:		
Expenses not deductible	5,532	9,481
Adjustments from previous years	-	-
Tax rate changes	(61,124)	(143,765)
Tax (credit)/charge for the year	**(254,683)**	**(200,851)**
Tax on results on ordinary activities:	(254,683)	(200,851)
Deferred tax assets:		
Provision at start of year	(2,104,519)	(1,656,538)
Adjustment in respect of prior years	-	-
Deferred tax (credit)/ charge to income statement for the year	(254,683)	(200,851)
Deferred tax charge / credit in OCI for the year	1,981,251	(247,130)
Provision at end of year	**(377,951)**	**(2,104,519)**

	Booked (£) 30 Sep 2022	Booked (£) 30 Sep 2021
Fixed asset timing differences	(115,109)	(79,028)
Fixed asset timing differences – trading	(50,426)	(1,738,834)
Losses	(212,416)	(286,657)
	(377,951)	**(2,104,519)**
Deferred tax assets:		
Recoverable after 12 months	(377,951)	(2,104,519)
	(377,951)	**(2,104,519)**
Deferred tax liabilities:		
Payable after 12 months	-	-
	-	-

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefits through future taxable profits are probable. The Directors have reviewed the future profitability of the company and expect the full amounts to be recoverable.

An increase in the current tax rate to 25% from 1 April 2023 has been substantively enacted as at 30 September 2022. The deferred income tax asset has been revalued at 25% as the expectation is that the asset will substantially unwind after 31 March 2023.

The significant reduction in the deferred income tax asset during the year ended 30 September 2022 reflects the reduction in the net defined benefit pension obligation (£7,804,000) offset by that part the reduction of the Pension Reimbursement Asset back to the level of the initial recognition (£1,110,000), to appropriately reflect the net tax impact of the related underlying movements.

No deferred income tax is recognised on the initial Pension Reimbursement Asset (£6,566,000) as the resulting credit was directly reflected in reserves (Pension Reimbursement Reserve) rather than through Other Comprehensive Income.

12 Tangible fixed assets

	Furniture and Equipment (£)	Computer Hardware (£)	Total (£)
Cost			
At 01 October 2021	422,064	163,681	585,745
Additions*	19,940	73,897	93,837
Disposals	-	(1,184)	(1,184)
At 30 September 2022	**442,004**	**236,394**	**678,398**
Depreciation			
At 01 October 2021	316,993	98,725	415,718
Provided in the year	83,625	46,925	130,550
Disposals	-	(1,184)	(1,184)
At 30 September 2022	**400,618**	**144,466**	**545,084**
Net book value at 30 September 2022	**41,386**	**91,928**	**133,314**
Net book value at 30 September 2021	**105,071**	**64,955**	**170,027**

**There is an increase of £19,940 for 2022 (2021: no increase) on account of estimated cost of site restoration obligations included in Furniture and Equipment.*

13 Intangible fixed assets

	Internal Control Environment (£)	Total (£)
Cost		
At 01 October 2021	283,744	283,744
Additions	-	-
Disposals	-	-
At 30 September 2022	**283,744**	**283,744**
Amortisation		
At 01 October 2021	283,744	283,744
Provided in the year	-	-
Disposals	-	-
At 30 September 2022	**283,744**	**283,744**
Net book value at 30 September 2022	**-**	**-**
Net book value at 30 September 2021	**-**	**-**

The Internal Control Environment (ICE) asset stated above is a bespoke Customer Relationship Management environment built on the Salesforce platform, developed by Alpha Financial Markets Consulting UK Limited (Alpha).

The tools on ICE are essential for the delivery of Brunel's core services and allows the efficient management of clients and dealing services. It also assists in mitigating risks in the provision of services, as required for an FCA-authorised company.

14 Long term debtors

	2022 (£)	2021 (£)
Lease Deposit*	49,750	49,750
Pension Reimbursement Asset **	102,000	7,676,000
	151,750	**7,725,750**

**The deposit is not expected to mature until the end of the lease on 31/07/2027.*

***As detailed within a 'Pension Cost Recharge Agreement', dated 24 September 2020 between the shareholders and the Company, the shareholders have guaranteed that any pension costs arising in respect of the Company's participation in the LGPS defined benefit pension scheme will be underwritten by the shareholders.*

For details of the reimbursement mechanism, see note 4.7.

15 Debtors - due within one year

	2022 (£)	2021 (£)
Input VAT*	-	-
Accrued Income	-	15,771
Prepayments	551,381	599,253
Trade Debtors	212,950	366,892
Other Debtors	260,999	1,980
	1,025,330	**983,896**

**As allowable under FRS102 Input VAT has been offset against Output VAT, this has also been restated for 2021.*

16 Cash at bank and in hand

	2022 (£)	2021 (£)
Cash at bank and in hand	10,809,581	10,630,689
	10,809,581	**10,630,689**

17 Creditors: amounts falling due within one year

	2022 (£)	2021 (£)
Payroll Costs	89,834	82,232
Output VAT	321,354	331,757
Social Security Costs	142,357	134,143
Accruals	758,577	1,260,868
Deferred Revenue	3,125,320	3,028,808
Trade Creditors	459,945	379,484
Deferred Rent	-	9,216
Other Creditors	309,673	30
	5,207,060	**5,226,538**

18 Operating lease commitments

The Company has total future commitments in respect of non-cancellable operating lease on office space of £552,407 (2021: £476,773). The Company is liable for rent on the building until the lease end date of 31/07/2027. There was a rent review due on 01/08/2022 and the new rent has now been agreed and is reflected below.

	2022 (£)
In the next year (ending 30/09/2023)	114,291
Later than one year and not later than five years (01/10/2023-30/09/2027)	438,116
Total	**552,407**

	2021 (£)
In the next year (ending 30/09/2022)	82,917
Later than one year and not later than five years (01/10/2022-30/09/2026)	331,668
Later than five years (from 01/10/2026)	62,188
Total	**476,773**

19 Transactions with related parties

The Company's Shareholders paid £11,610,506 (2021: £10,812,734) for Core Services, of which £2,944,000 (2021: £2,847,157) was income received in advance relating to the October – December 2022 Quarter. £144,524, (2021: £43,705) was received in relation to elective services delivered to five clients in 2022 and seven Client in 2021, of this £27,054 was income received in advance relating to October 2022 – March 2023.

Payments of £26,889 (2021: £20,525) were made to Wiltshire Council for Payroll, HR and actuarial services in the financial year.

Transactions with related parties that the Directors of Brunel are associated with are as follows:

- Payment of Directors salaries
- Payment of pension contributions to the Wiltshire Pension Fund for Executive Directors

Further information is given in note 7.

20 Pension commitments

As noted earlier, the Company provides to certain staff a Defined Contribution Pension Scheme provided by Smart Pension, the accounting treatment is to expense the employer's contributions to the scheme, with no further commitments to the Company other than in year contributions.

Also as noted earlier, the Company participates in the Local Government Pension Scheme (LGPS) administered by the Wiltshire Pension Fund, on behalf of Wiltshire Council. The LGPS is a tax approved, defined benefit occupational pension scheme set up under the Superannuation Act 1972. The benefits under the scheme are based on the length of membership and the average salary. Each member contributes a proportion of their salary, within a 5.5% to 12.5% range depending on their rate of pay. The Company, as the employing body, also contributes into the scheme at 18.5% (2020: 18.5%) of the employee's salary for the 3 years commencing on 1 April 2020. However, this is only a gross contributions exposure since there is nil net pension contributions exposure due to the Pension Cost Recharge Agreement described below.

LGPS is accounted for as a defined benefits scheme. The liabilities of the LGPS attributable to the Company are included in the statement of Financial Position on an actuarial basis using the projected unit method – i.e. an assessment of future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, etc. and projections of earnings for current employees.

The Company's situation is unusual for an FCA registered company in that the 10 shareholders (9 Local Authorities and the Environment Agency) which own the Company are also its only clients (the Local Authority acting as Administering Authorities for the LGPS along with the Environment Agency Pension Fund). The Company is funded by its shareholders on an equal 1/10th shareholding with the Annual Operating Charge to clients in line with the shareholder approved Shareholders Agreement, Services Agreement and Pricing Policy. As government institutions, the shareholders and clients have strong employer covenants and the risk of default or inability to pay pension obligations is considered extremely remote.

The client base is restricted to these 10 Administering Authorities and can only by amended with the approval of all its shareholders as outlined in the Shareholders Agreement.

The Company's shareholders, along with Brunel and the Wiltshire Pension Fund (WPF) are signatories to the Admission Agreement to allow access to the LGPS. This Admission Agreement confirms shareholders provide a guarantee to WPF for any net pension liabilities arising in respect of the Company. This liability is shared equally.

A Pension Cost Recharge Agreement (PRA) was signed on 24 September 2020. This provides assurance to the Company that its shareholders will reimburse any pension defined benefit obligation and enables the Company to create a Pension Fund reimbursement asset see note 4.7.

All pension costs of the Company are funded, forming part of the annual Business Planning and budget setting cycle approved by shareholders. The Company sets its Annual Operating Charge on its forecast cost-plus model. In line with the Pricing Policy should the Company be liable for deficit recovery contributions (notified by the Fund for a three-yearly cycle) these would be included in the Annual Operating Charge. This approach ensures that all revenue costs including the pensions obligations are funded at no risk to the Company.

Each year the Company commissions Hymans Robertson to provide a FRS102 pension accounting report to determine the position as at the Company's financial year end. This shows the movement in the pension liability over the previous 12 months and the cost of providing this pension on an accounting basis. The net pension liability is reported in the Statement of Financial Position and the costs shown in the profit and loss statement.

The schemes typically exposes the Company to actuarial risks such as investment risk, interest risk, inflation risk, longevity risk and salary risk as follows:

- **Investment risk** – the present value of the defined benefit schemes' liability is calculated using a discount rate determined by reference to high quality corporate bond market yields. If the return on scheme assets is below this rate, a deficit will be created;
- **Interest risk** – a decrease in the bond interest rate will increase the scheme liability but this will be partially offset by an increase in the return of the scheme's debt instruments;
- **Inflation risk** – A margin to compensate investors against future uncertainty relating to inflation;
- **Longevity risk** – the present value of the defined benefit scheme liability is calculated by reference to the best estimate of the mortality of the scheme participants both during and after their employment. An increase in the life expectancy of the scheme participants will increase the scheme 's liability; and
- **Salary risk** – the present value of the defined benefit scheme liability is calculated by reference to the future salaries of scheme participants, as such, an increase in the salary of the scheme participants will increase the scheme's liability.

This is a funded scheme, meaning that the Company and employees pay contributions into a fund, calculated at a level estimated to balance the pensions liabilities with investment assets.

At the last triennial valuation 31 March 2019, the funding level was 97% with a deficit of £120,000. The employer contribution rate changed from 17.7% of payroll plus £61,000 p.a. past service deficit payment to 18.5% of payroll from 1 April 2020 with no additional deficit payment due in £ monetary terms.

Pension costs have been charged to the Statement of Total Comprehensive Income on the basis required by FRS 102.

Costs for 2022 described below £2,032,000 (2021: £1,509,000) are recognised in the 2022 Financial Statements.

Post-employment benefits summary

	2022 (£)	2021 (£)
Net Assets	8,872,000	8,439,000
Net Liabilities	(8,974,000)	(16,345,000)
	(102,000)	**(7,906,000)**

Reconciliation of opening and closing balances of the defined benefit obligation

	2022 (£)	2021 (£)
Defined benefit obligation at start of year	16,345,000	13,400,000
Current service cost	1,855,000	1,418,000
Interest expense	365,000	207,000
Contributions by scheme participants	366,000	314,000
Benefits Paid	(147,000)	(76,000)
Remeasurements:		
Changes in financial assumptions	(9,857,000)	778,000
Other Experience	47,000	304,000
Defined benefit obligation at end of year	**8,974,000**	**16,345,000**

Reconciliation of opening and closing balances of the fair value of scheme assets

	2022 (£)	2021 (£)
Fair value of scheme assets at start of year	8,439,000	6,813,000
Interest income	188,000	116,000
Return on scheme assets in excess of interest income	(775,000)	573,000
Contributions from the employer	801,000	699,000
Contributions from employees	366,000	314,000
Benefits Paid	(147,000)	(76,000)
Fair value of scheme assets at end of year	**8,872,000**	**8,439,000**

The actual return on scheme assets over the year ending 30 September 2022 was -6.3% (2021: 9.6%)

Defined benefit costs recognised in Statement of Comprehensive Income

	2022 (£)	2021 (£)
Current service cost	1,855,000	1,418,000
Net interest cost	177,000	91,000
Defined benefit costs recognised in statement of total comprehensive income	**2,032,000**	**1,509,000**

Defined benefit costs recognised in other comprehensive income

	2022 (£)	2021 (£)
Return on scheme assets (excluding amounts included in net interest cost)	(775,000)	573,000
Experience gains and losses on the scheme liabilities	(47,000)	(76,000)
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities	9,857,000	(1,006,000)
Sub-total	9,035,000	(509,000)
Remeasurement of pension reimbursement asset	(7,574,000)	1,110,000
Total amount recognised in other comprehensive income	**1,461,000**	**601,000**

The gain recognised in the statement of Other Comprehensive Income for 2022 is £1,461,000 (2021: £601,000).

Assets

Assets in the Wiltshire Pension Fund are valued at a fair value, principally market value for investments and consists of the following categories, by proportion:

	2022 (%)	2021 (%)
Equities	53%	54%
Bonds	31%	34%
Property	16%	12%
Cash	0%	0%
Total assets	**100%**	**100%**

None of the fair values of the assets shown above include any of the Company's own financial instruments or any property occupied by, or other assets used by the Company.

Reconciliation of opening and closing balances of the pension cost reimbursement asset

	2022 (£)	2021 (£)
Reimbursement asset at start of year	7,676,000	6,566,000
Net Interest on reimbursement asset	-	-
Increase in reimbursement asset due to current service	-	-
Increase/(decrease) in reimbursement asset due to fair value movements during the year	(7,574,000)	1,110,000
Reimbursement asset at end of year	**102,000**	**7,676,000**

Assumptions

	30 Sep 2022 % pa.	30 Sep 2021 % pa.
Discount rate	5.05%	2.10%
Salary increase rate	3.70%	3.30%
Pension Increase Rate (CPI)	3.30%	2.90%

Average life expectancies	Males	Females
Current Pensioners	21.7 years	24.2 years
Future Pensioners*	22.6 years	26.0 years

**Figures assume members aged 45 as at the last formal valuation date.*

Sensitivity analysis – defined benefit obligation

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumptions at 30 September 2022:	Approximate % increase to Defined Benefit Obligation	Approximate Monetary amount (£)
0.1% decrease in Real Discount Rate	3%	255,000
1 year increase in member life expectancy	4%	359,000
0.1% increase in the Salary Increase Rate	0%	31,000
0.1% increase in the Pension Increase Rate (CPI)	3%	228,000

Sensitivity analysis - Reimbursement asset

The sensitivities regarding the principal assumptions used to measure the reimbursement asset are set out below:

Change in assumptions at 30 September 2022:	Approximate % increase to Reimbursement Asset	Approximate Monetary amount (£)
0.5% decrease in Real Discount Rate	1250%	1,275,000

21 Provisions for other liabilities

The Company has an obligation for the restoration of its office space on termination of its lease. A provision of £119,940 for dilapidations has been recognised which represents the management's best estimate of the site restoration costs at the end of the lease term as outlined in note 16. The timing of this cost is uncertain as it would only become payable on vacating the current Brunel offices.

-	Site Restoration Obligations (£)
As at 1 October 2021	99,704
Provision made in the year	19,940
As at 30 September 2022	**119,644**

22 Called up share capital

	2022	2021
Authorised, allotted and fully paid:		
20 ordinary shares of £1 each	20	20
	20	**20**

Ordinary Shares	2022 (Number)
At 01 October 2021	20
Share issue	-
At 30 September 2022	**20**

23 Reserves

Called-up share capital represents the nominal value of shares that have been issued.

Share premium account includes any premiums received on issue of share capital.

The Penson reimbursement asset reserve represents an undertaking from the shareholders to reimburse the Company for any LGPS pension related cash flow under the provisions of the Pension Cost Reimbursement Agreement. The pension reimbursement asset reserve is not available for distribution. Its use is restricted to the purposes defined in the Pension Cost Reimbursement Agreement.

Retained earnings includes all current and prior year retained profit or losses.