Brunel Pension Partnership Limited
Annual Report & Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2020

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

BRUNEL
Pension Partnership

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Company information

Directors

Laura Jane Chappell

Michael John Clark

Denise Marie-Reine Le Gal

Patrick John Newberry

Stephen John Tyson

David John Vickers

Joseph Andrew Webster

Bankers

National Westminster Bank PLC

External Auditors

Grant Thornton UK LLP

Internal Auditors

Deloitte LLP

Tax Advisors

Deloitte LLP

PricewaterhouseCoopers LLP

Legal Advisors

Eversheds Sutherland

Financial Advisors

PricewaterhouseCoopers LLP

Financial Markets Advisors

Alpha Financial Markets Consulting UK Limited

Brunel Pension Partnership

Chair's Foreword

Denise Le Gal
Chair

History will remember 2020 as the year of COVID-19. The pandemic has also been a game-changer for the way we work, think and act, causing global disruption. The pandemic has raised our awareness of the world around us, particularly when it comes to the threat of climate change, the fragility of supply chains and the importance of human capital.

Our clients have been at the forefront in dealing with the virus, going the extra mile as they delivered services in areas such as public health, adult social care, education, and the environment. We thank them and applaud them.

It has been a challenging year for any company. We have been critically aware of the challenges of doing business in such circumstances, and they make what our broader partnership has achieved even more impressive.

As the partnership passed its third birthday, we continued our evolution towards becoming an established asset owner. We have made great strides in designing and launching new funds, opening manager searches, and transitioning client assets.

As a board, we have built a robust risk management culture. We therefore now turn our attention to prioritising client outcomes, and to realising our shared desire to embed responsible investing into their pension funds.

The events of 2020 have obliged us to assess and review our working practices. We already benefit from flexible policies about working hours and parenting, but we have continued to review our approach to wellbeing and mental health, and consulted with staff to build flexibility, resilience and support mechanisms.

Meanwhile, our partnership remains committed to our shared long-term, sustainable principles, confident that these remain financially sound. Everything that we do is built on this foundation.

Inevitably, that has meant looking at ourselves first. In June 2020, we published 'Responsible Investment and Stewardship Outcomes', our first report on Brunel's performance across all our major themes, from climate change to cyber risk to supply chains.

We are rightly proud of its findings, and we are proud to be demanding the same high standards of Brunel that we demand of the wider industry. This due diligence ensures that our calls for industry change – most notably in January 2020 with the publication of our Climate Change Policy – are consistent with our own practices. That makes them more likely to succeed.

Looking inwards doesn't end there, however. We are currently undergoing a governance review to improve our processes, so that we can maximise both the effectiveness of the board and the depth of our relationships with our clients.

We have also focused on recruiting and retaining the best people and were delighted to appoint David Vickers as Chief Investment Officer. His experience is deep, through his 20 years in highly respected asset management companies, and wide, because he has always worked across multiple asset classes. We are delighted to welcome him into the partnership.

The board has strived to consider the implications of all matters through the reporting year with due care and attention and a cool head. Patient investors with a focus on sustainability should expect to be rewarded in due course. This will be achieved through carefully considered portfolio constructs that exhibit competitive strengths. These strengths will both protect them and enable our managers to take advantage of the opportunities that arise from severe economic dislocation.

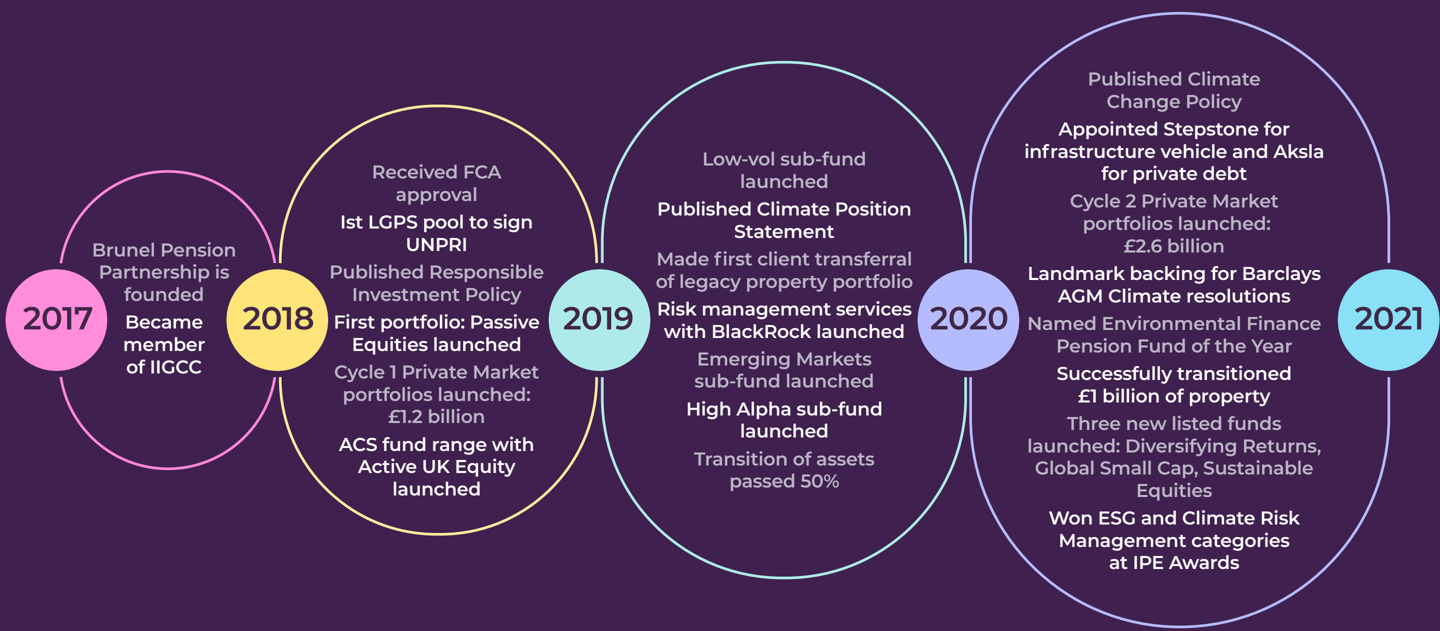
Whatever may lie in store, we will navigate troubled waters with an eye firmly on the long-term horizon, as we continue to exercise the appropriate prudential stewardship of our beneficiaries' assets.

We wish our clients, partners and everyone at Brunel a safe and successful journey through trying times.

Denise Le Gal
Chair

Brunel Pension Partnership: A timeline of success

Forging better futures by investing for a world worth living in



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Strategic Report and Business Review

Report of the Chief Executive Officer Laura Chappell

Business development and highlights of the year

We always knew that 2019/20 would be a significant year for Brunel, given ongoing asset transitions, new fund launches, and the need to place ever greater emphasis on client outcomes. Yet we had to deliver on these plans through a global pandemic and the resulting lockdowns, a threat which has proved existential for many businesses. In this context, I believe our achievements carry greater weight than ever.

We placed enormous emphasis on reviewing our own culture and practices as a company over the course of the financial year; and even more so after COVID-19 transformed the working environment. At an investment level, of course, we published our Outcomes Report. At a staff level, we have been no less rigorous in self-analysis.

Our Staff Survey, conducted over the summer, offered an opportunity to gauge how well we are providing for our staff. In short, it seems that our determination to better support our staff personally and professionally has paid off, with obvious business implications. The participation rate was high. The general mood was positive, with major improvements on the previous reporting year's scores – which were already well above industry norms – and 93% of staff proud to work for Brunel. Finally, there were clear steers over areas to improve, such as cross-team collaboration, which requires a particular emphasis when working remotely.

This approach is how we mean to continue: by identifying potential issues early on, we can deal with them before they turn into major business and reputational risks. The same principles apply to how we at Brunel have been thinking through our investment managers' roles, and we have increased our scrutiny to ensure managers are looking after their own staff and processes. In a similar vein, we have continued to think through two issues still more closely related to lockdown: mental health and ensuring business continuity online. On these, we must remain receptive and nimble as we continue to adapt. We view these areas as a central part of our responsibilities as an asset owner, in line with our Responsible Investment principles.

We also encouraged and facilitated the career development of our staff and celebrated their successes. Several staff passed exams with the CFA and those of other industry bodies, and some reached the stage of receiving formal qualifications. We were also delighted to promote from within, recognising the business needs and the talent available at Brunel – we announced six promotions in June 2020. We also celebrated the remarkable voyage of the 'Bristol Gulls', as Sofia Deambrosi and three friends set off in December to row 3,000 miles across the Atlantic, to raise awareness of ocean pollution and drowning prevention.

Such a close focus on staff welfare and development is important for its own sake, but it is also validated from a business perspective by the many achievements that staff can point to from the period. It has, in short, been a remarkable year. We have launched a raft of new funds, all of which have been well-covered by the media.

At a more strategic level, we published a new Responsible Investment Policy; our first Outcomes Report; and our first Carbon Metrics Report, which shows the climate exposures of holdings across our funds. In January 2020, we published our Climate Change Policy, which described the financial industry as "not fit for purpose", from a climate change perspective, and committed us to setting a high example – and striving to bring broader industry change. We were heavily involved in the IIGCC's ground-breaking Net Zero Framework, which launched for consultation in August. In June, our many efforts were recognised by Environmental Finance, which named our partnership 'Pension Fund of the Year'.

We have also made considerable tax and cost savings over the course of the year. Tax savings are made by ensuring that there is appropriate look through to our local government pension scheme investors. This has been true at fund level, of course – the Property Fund has saved several million pounds to date, versus pre-pooling. But it has been true more widely, too, as our partner funds' Strategic Asset Allocations were revised and transitions between funds were completed. Our progress has been helped by a new engagement with CACEIS, our cost transparency partner, announced in April 2020.

In terms of investment, COVID-19 created economic and investment uncertainty that may yet dominate globally for some time to come. There are short-term risks too, with many of the ramifications of Brexit only beginning to be felt.

When it comes to our success as an investment company, the year has been a reminder of two key lessons. The first is to focus on recruiting, looking after and keeping the right people. The second is to focus on sustainability for the long term, and not overreact to short-term events, like that market fall in Spring 2020.

As we look ahead, we need to remain focused on value for money and ready to face new challenges and meet new ambitions. These include refining and developing our products; creating more agile processes; evolving our approach to stewardship, regulation and policy; continuing to raise our Responsible Investment ambitions and delivery; and embedding the Senior Managers and Certification Regime.

We look back on a year when we consciously raised the importance of client outcomes in all that we do. We are a partnership and we will only continue to be successful in the coming years if we maintain that core vision.

Laura Chappell
Chief Executive Officer

Banksy mural
Bristol

Investment outlook

In ordinary times, this investment report would reflect on the economic, market and investing trends of the 12-month reporting period. Yet these are not ordinary times. Instead, the outbreak of a global pandemic was followed by the deepest global recession since World War Two, according to the World Bank, and the deepest UK recession on record. According to the International Institute of Finance, global indebtedness increased $15 trillion between January and November 2020 – an unprecedented rise.

In such exceptional times, we consider it appropriate to focus more heavily on the period dominated by the financial story of the past decade – and COVID-19 was only officially recognised as a pandemic in March 2020. The outbreak and related lockdowns have, of course, forced us to reassess our assumptions and prepare for new uncertainties. Yet they have also highlighted some of our investment strengths, among them, our long-term perspective, our diversification by asset class (and by much else besides), and our focus on sustainability.

The developments of 2020 caused enormous volatility and uncertainty for investors. COVID-19 began to cause market disruptions in February and, in the UK, uncertainty was increased by a second lockdown in November and by stop-start, post-Brexit trade negotiations. Investors breathed a sigh of relief when Pfizer announced the development of a potential vaccine in early November, and when a clear result emerged in the US presidential election. In Asia, meanwhile, China was the first major economy to return to an approximation of normality, with several other East Asian countries making similar progress. Early indicators pointed to a rapid recovery in growth in both China and the Asia-Pacific region.

In the UK, the Brexit endgame offered few signs of real breakthrough in EU-UK negotiations. Nevertheless, the UK did sign a trade deal with Japan in September 2020 and, three months later, a deal with Canada. As for a US-UK trade deal, the scope of such a deal was reckoned to have been narrowed slightly by the election of Joe Biden as US president.

At a policy level, the Bank of England continued the low interest rate regime it introduced in 2008, as have leading central banks around the world.

Hartwell House, Buckinghamshire

On markets, faster-growing stocks, such as some major names in the technology and consumer sectors, have outperformed massively through the pandemic, particularly in the US, which drove a lot of the recovery after the market falls suffered in March.

However, the UK equity market has a smaller weighting to high growth companies and, by contrast, a higher weighting to more mature, slower-growing sectors such as energy and financial services. Both sectors have underperformed in the pandemic. Furthermore, the UK has traditionally offered higher dividend yields than other markets, but the crisis has reduced this advantage. Larger oil companies cut dividends substantially, while banks and insurance companies were encouraged by regulators to preserve capital and not pay dividends at all this year.

Unchanged values, evolving approach

With this backdrop in mind, now more than ever, a long-term, responsible and sustainable approach to investing is crucial. The pandemic has underscored the importance of ESG for all, as any failure in the management of these systemic risks became more apparent by the day throughout 2020. Indeed, we committed increased funds to private market assets, while our marked focus on sustainability has stood our portfolios in good stead through the COVID-19 crisis. As asset owners with a strong mandate in this area from our clients, we will continue to look to the long-term in our investment philosophy, building portfolios for partner funds with a strong focus on ESG factors.

To do this successfully, we believe that our rigorous self-analysis must be ongoing. Nowhere was this better illustrated than in the publication of our 2020 Responsible Investment and Stewardship Outcomes Report, in which Brunel's progress was tracked across a range of key RI factors, from cyber risk to diversity & inclusion. The report reflected our clients' broader ambitions to achieve strong returns by investing for a world worth living in. It also profiled some of our successes, such as the fact Brunel carried out 867 engagements with companies in 2019, that 100% of our listed market fund managers are achieving or committed to achieving cost transparency, and that at least 35% of Brunel's Cycle 1 private market investments were in renewable energy.

Our approach to ESG has been to set ourselves exacting policy standards, to engage broadly with managers and the wider financial industry, and to engage deeply with companies held in our portfolios. Thus, our priority is not just to change our portfolios, but to bring wider change in the industry. This approach was recognised when Environmental Finance named the partnership Pension Fund of the Year, and when we won the Europe-wide IPE awards for both ESG and Climate-Related Risk Management.

As ever, we believe the idea that you must choose between RI and successful investing is fundamentally mistaken, as was illustrated by the various forms of recognition given to the investment team a few weeks after the end of the reporting year. Thus, the partnership was Highly Commended in the 'Factor Investing' category at the IPE Awards, and shortlisted for Investment Innovation, Collaboration and 'Pool of the Year' at the LAPF Awards. It was wonderful to see two clients also recognised: Cornwall Pension Fund was LGPS (Smaller) Fund of the Year, while The Environment Agency Pension Fund won Best approach to Sustainable Investing and, at the IPE Awards, was named UK Pension Fund of the Year.

For our partnership to have received these various awards at the end of a year in which Brunel prepared and launched so many new funds is particularly gratifying. The partnership has worked hard to agree products to fit our shared goals and the more specific aspirations of our ten client funds. Over the course of the reporting year, we launched Cycle 1 of the Brunel Infrastructure Fund, and then launched Cycle 2 in the autumn. Meanwhile, in listed markets, we launched the High Alpha Fund and Low Volatility Fund and, in the weeks immediately after the reporting year, the Diversifying Returns Fund, Global Small Cap Fund and Sustainable Equities Fund. We also launched two fixed income manager searches.

Encouraging change

We believe strongly in the value of policy advocacy and we recently saw a strong example of how it can deliver results. Our Chair joined forces with several other UK pension funds, representing some £10 trillion in assets, by co-signing a letter that the Impact Investing Institute then sent on to the prime minister. It made the case for the issuance of green gilts in the UK. Within a few weeks, the chancellor confirmed that the UK will issue its first ever green bond in 2021 – the first in a series of new issuances, as the government looks to build a 'green curve' to help tackle climate change and build green jobs across the country. Our collective voice was heard.

Queen Square, Bristol

As we continue to reflect on climate risk, we recognise that, as an asset owner, we can minimise the carbon footprint of our investments to a considerable extent. For example, 35% of client infrastructure investments are in renewable energy funds. We know there are limits on what we can achieve internally, and so we also want to foster change across the industry, which carries the possibility of far greater impact.

Our Climate Change Policy, published in January 2020, expresses our belief that asset owners should seek not merely to prune their own portfolios, but to change the industry systematically in order to bring it in line with the Net Zero ambitions expressed in Paris. As part of the policy, we have asked each of our managers to ensure that all material holdings align with Paris Agreement benchmarks, or risk being removed from our portfolios when we carry out a stock take of the policy's effectiveness in 2022.

This transparency was reflected in the publication of our Carbon Metrics Report 2020, which laid out our overall carbon metrics and those of our underlying portfolios. It showed that, as of 31 December 2019, the Brunel Aggregate Portfolio is less carbon intensive than its custom benchmark, with a relative efficiency of 15.4%. It also found that the Brunel Aggregate Portfolio has lower exposure to both fossil fuel revenues (9.4% vs 12.4%) and disclosed reserves (5.2% vs 7.4%). Disclosure is also a key focus for our engagement programme.

As well as integrating our Climate Change Policy into manager appointments, and the design and monitoring of all our funds, we have also created climate-targeting funds. The Sustainable Equity Fund is the obvious example, but our Infrastructure and Secured Income funds both have a climate focus too. The latter, for example, enabled an investment in a 70-acre greenhouse project in East Anglia that captures water treatment heat to use for growing produce – with the result that the carbon footprint is reduced by 75%. (See chart on page 15.)

In conclusion, it's been a turbulent year unlike any other, but the values and principles we agreed as a partnership have enabled us to remain steadily focused on our shared long-term goals. Brunel is well placed to weather the storms and to generate long term sustainable performance for our partner funds, by investing for a world worth living in.

Report from Chair of Audit, Risk and Compliance Committee

Patrick Newberry

Brunel is exposed to a wide range of risks as it continues to develop and implement its strategy to become a leading LGPS Pool Investment Manager. Effective risk management is key to Brunel's success. As an FCA regulated firm, we aspire to high standards of risk management, actively monitoring current risks whilst scanning the horizon for emerging ones. We use the 'Three Lines of Defence' model to assess and manage risks, financing the residual risks with appropriate capital resources calculated in accordance with FCA requirements.

A strong culture embodying good ESG principles is a significant contributor to strong risk management. As an investment manager that focuses on high standards of ESG, 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 by our risk framework.

Three lines of defence

Developments during 2019-20

Before the COVID-19 pandemic hit, we had continued with our programme to strengthen our first and second lines of defence, making good progress towards embedding a mature and strong risk management framework. Our risk management framework has to take account of Brunel's unusual structure, in particular its extensive reliance on outsourced providers for key parts of the operating model. During the first part of 2020, we improved the definition of risk responsibilities between the first and second lines of defence. We also beefed up the second line of defence with improved monitoring and inspection programmes and through deepening of risk management and regulatory skills.

The pandemic and consequential lockdown, as noted elsewhere in this report, meant that our operations had to become virtual in very short order. It is a testament to the rigorous work previously carried out by the executive team on business interruption planning and to the immense amount of hard work carried out by all of the team once the crisis hit, that we were able to adopt an entirely home-working model very quickly with minimal interruption to our client service. Like many other organisations, we found that our contingency planning stood us in good stead, although we had to adapt our plans quickly to take account of the fact that, again like others, we had planned for an interruption to one part of the business over a short time period instead of a comprehensive impact over a prolonged period.

We have carried out extensive second line testing of our virtual model and ensured that we have not lowered our standards of risk management and are continuing to manage our business within our pre-determined risk appetites, particularly in the area of operational risk. Plainly, there will be continuing risk management challenges until the eradication of the virus, and virtual working will be a feature of our operations for some time. We are confident that our risk management framework is sufficiently robust to cope with the continuing pressures and are confident that we can continue to transfer client funds to the Brunel portfolios, notwithstanding the vicissitudes of the crisis.

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, the regulatory, client and political environment, 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 contemporary events and then undertakes further work to ensure those risks are mitigated and managed within our agreed tolerance levels. Inevitably, for a good deal of 2020, much of ARC's work has had to be focused on the impact of the pandemic on operations. However, we have not taken our eyes off the many other risks that confront our business, including investment, regulatory and reputational risks. The pandemic is not the only exogenous event affecting the business. Although Brexit does not have as direct an effect on Brunel as it does on businesses with more complex international supply chains, ARC has been closely monitoring the possible impact of general economic uncertainty and any potential disruption of the financial markets during the final stages of the transition period.

Significant internal audit reports delivered during the reporting year included reviews of Compliance Governance and Oversight, IT Governance, Investment Management and Client and Relationship Management. Useful areas for improvement were highlighted but the overall standard of control was found to be good. Internal Audit also carried out a thorough review of Brunel's COVID-19 response, providing assurance that our virtual working arrangements had been implemented without jeopardising our risk management framework.

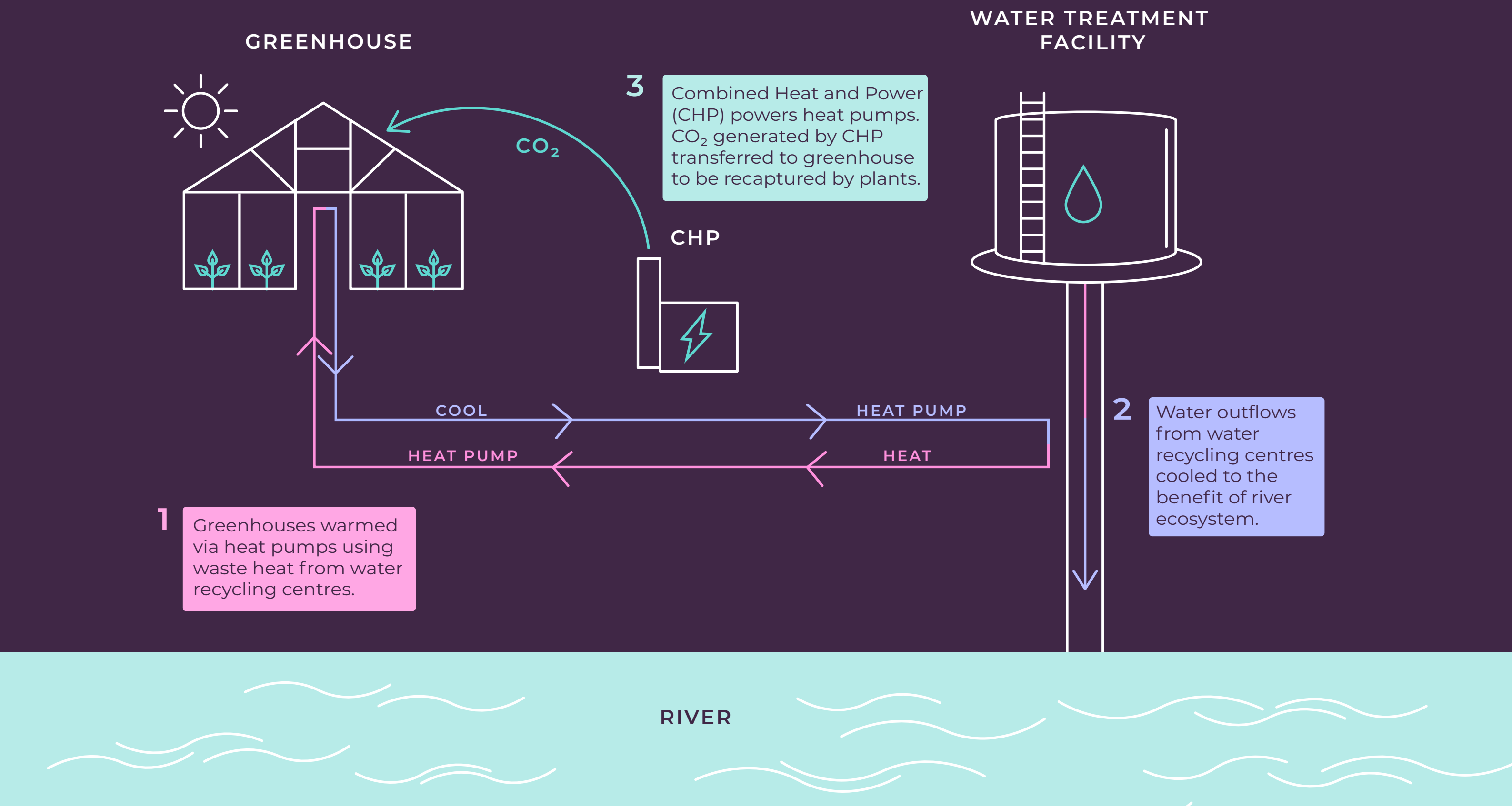
Further embedding of the Senior Managers and Certification Regime (SMCR) has taken place during the year and Brunel is confident that it now has a robust SMCR framework in place, which will help to reinforce Brunel's culture of strong risk awareness and management. Risk and Control Self Assessments are now being carried out systematically throughout the business, which also help significantly with the embedding of the business's risk management framework.

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

Sustainable agriculture in East Anglia

How the world's first low-carbon greenhouses work and the project itself, which will support UK food security and carbon reduction. The Brunel Secured Income Fund is invested in the project via Greencoat Capital.

Images: Greencoat Capital



Overall financial performance

Corporate performance

During the year ending 30 September 2020, Brunel provided a chargeable service to clients recognising revenues of £11.0m (2019: £9.8m).

Brunel's total costs for the year were £10.5m (2019: £8.5m), representing a profit of £0.5m (2019: £1.3m) before tax and actuarial valuations.

Total comprehensive income for the year was (£3.2m) (2019: £323k) or (21%) of total costs. (2019: 3.5%)

The year-end cash balance was £10.6m, (2019: £7.3m), which includes an amount of deferred revenue relating to the coming year of £3.1m, (2019: £1.9m).

During the year and in line with the Business Plan, Brunel achieved its key objectives, with fund launches progressing well and tools in place for scalable growth.

The COVID-19 pandemic has seen a significant deterioration in economic conditions for some companies and increased economic uncertainty. The directors have reviewed the business risks to consider if these events or conditions cast significant doubt on the Company's ability to continue as a going concern, and whether the going concern assumption is still appropriate as a basis for the preparation of the financial statements. The directors have concluded that the Company's financial position and operating model means that, taking into account its key outsource partners' operational resilience, there are no material uncertainties that could cast significant doubt over Brunel's ability to continue as a going concern.

The Company continues to adopt the going concern basis in preparing its financial statements. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements. This is explained further in note 3 of the financial statements below. Our approach to risk management, which has been taken into consideration in the preparation of this statement, is explained below.

Performance numbers at a glance

Revenue recognised in chargeable service to clients
£11.0m
2019: £9.8m

Profit represented
£0.5m
2019: £1.3m
before tax and actuarial valuations.

Brunel's total costs for the year
£10.5m
2019: £8.5m

Year-end cash balance
£10.6m
2019: £7.3m

Total comprehensive income for the year
(£3.2m)
2019: £323k
(21%) of total costs
2019: 3.5%

Deferred revenue relating to the coming year
£3.1m incl. VAT
2019: £1.9m

Climate Change

We have supported mandatory reporting on climate risk since our formation in 2017, formally declaring our commitment to report to the **Taskforce for Climate-related Financial Disclosure** (TCFD) in November of that year. Our Climate Change Policy, published earlier this year, recognises that effective and meaningful disclosures across the investment chain – from companies (public and private), asset managers and asset owners – is essential to changing the way capital is invested and to achieving a financial system fit for a low carbon future.

This report is a summary of our more comprehensive TCFD disclosure, together with our carbon metric and stewardship reporting available on our website.

The key objective of our climate policy is to systematically change the investment industry to ensure that it is fit for purpose for a world where the temperature rise needs to be kept to well below 2°C compared to pre-industrial levels.

Stonehenge, Wiltshire

Climate beliefs

Climate change is clearly embedded in all we do. There is a clear commitment from everyone across our business to identify how we can support the changes needed to keep global temperature increases to well below 2°C – whether this be through how we go about running our office on renewable electricity; how teams challenge their third-party suppliers on their own actions; or, most importantly, how we invest the assets of our ten partner funds.

We support this commitment and have formally embedded climate into our governance, business strategy, investment selection and the monitoring of our portfolios.

The board is accountable for our Responsible Investment strategy, which identifies climate change as one of our key priorities. Our board is also accountable for Brunel's Climate Change Policy, written in collaboration with our clients and other stakeholders in January 2020. The policy sets out an ambitious plan to address climate change across our investments and the wider investment industry.

Day-to-day operational accountability for the Responsible Investment strategy sits with the Chief Responsible Investment Officer, with oversight from the Brunel Investment Committee. Board members are actively engaged on our climate work, regularly taking opportunities directly to support public advocacy. More formally, they receive regular updates from the investment teams and undertake deep dives into specific climate risk-related topics.

Our governance structure ensures multiple and regular touchpoints with clients to enable both their robust oversight and assurance of Brunel's delivery of our climate work, and our close awareness of evolving client needs as they look to implement their own client priorities and investment strategies.

Strategy

Our Climate Change Policy was written in collaboration with our clients and sets out an ambitious five-point plan to address climate change across our investments and the wider investment industry.

Managing climate-related risks and opportunities, and ensuring alignment with Brunel's climate change ambitions, form key considerations when appointing third party managers. This approach is fully embedded in manager selection processes, whether appointing or reviewing external managers. The way that we examine climate-related risks and opportunities varies across asset classes and this forms a consideration when constructing our portfolios.

Since May 2019, Brunel has been on the steering committee of the Institutional Investors Group on Climate Change (IIGCC) Paris Aligned Investment Initiative (PAII). This project looks at how investors can align their portfolios to the goals of the Paris Agreement: developing concepts and pathways, assessing methods and approaches and testing the implications of transition using real-world portfolios. We will continue with this work through 2021 as the project expands to cover further asset classes and looks at providing practical support for investors with Net Zero ambitions.

Engagement with companies, fund managers and policy makers forms 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 UN PRI, IIGCC and Climate Action 100+. Our involvement with the IIGCC is closer than ever; in December 2020, after the reporting year covered by this report, Faith Ward was named as the group's new Chair.

We actively participate and, where appropriate, provide leadership of collaborative initiatives, in particular the Transition Pathway Initiative (TPI), Institutional Investors Group on Climate Change (IIGCC), the Principles for Responsible Investment (PRI) and, in the UK, the Green Finance Institute, Sustainable Finance and Investment Forum (UKSIF) and Local Authority Pension Fund Forum (LAPFF). We seek to undertake direct engagements where we feel this will add value. For example, we co-filed a shareholder resolution with Barclays on the bank's approach to fossil fuel lending. We report on our outcomes of engagement quarterly to our clients as well as annually within our Responsible Investment and Stewardship Outcomes Report. For further detail of our approach to stewardship, see our Responsible Stewardship Policy Statement.

Risks

The greatest impact at Brunel from climate risks is to our investment portfolios.

We ensure that our portfolios are well diversified, and our managers have a deep understanding of the companies or assets in which they invest, and the risks to which they are exposed. For listed equities and bonds, we seek to challenge managers on portfolio holdings and on how they seek to materially reduce climate exposures, rather than instruct them to divest from whole sectors. We have, however, been clear that, as part of our climate stocktake in 2022, we will review the responsiveness of companies to managing climate risk and will consider exclusions where the company poses a long-term financial risk.

Climate risk, in terms of both transition and physical risks, is fully embedded into the approach of our private markets team. The risks are managed to maximise effectiveness in each of the strategies we have, but are also appropriate for the level of control we can exercise in different vehicles. The private market portfolios are also the area where Brunel has identified significant potential for investing in climate solutions.

We recognise that scenario analysis is an important tool in assessing what impact climate change may have on our investment portfolios. We regularly assess our portfolios against three Bank of England climate scenarios (for more detail, see our TCFD report). Our involvement in the IIGCC's PAII involved climate scenario modelling for a small subset of Brunel's portfolios. We are in discussion with different service providers to look at undertaking scenario analysis of both our listed market and private market portfolios.

Turning to our own operations, exposure to physical climate risks such as flooding and extreme weather are mitigated through a highly agile workforce. All staff are provided with the technology to work remotely. Our office is supplied entirely by renewable energy - this supplier was chosen because it provides REGOs (renewable energy guarantees of origin) for all the electricity that it sells. 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.

Gloucester Cathedral, Gloucestershire

Metrics and targets

We use a number of different complementary ESG and carbon specific data sets in order to monitor and report, both internally and externally, on the risks within our investment portfolios. We have undertaken a considerable amount of work in 2020 to integrate climate-related data and ESG risk metrics into our portfolio monitoring and management tool.

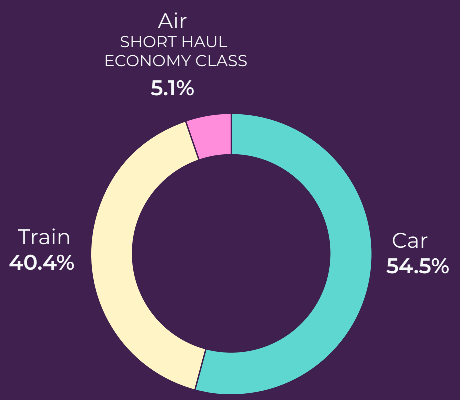
As well as our internal monitoring, we empower clients to understand the climate change risk exposure within their portfolios by providing carbon footprinting, fossil fuel exposure and revenues and the disclosure rates of portfolio constituents for all listed market portfolios versus their relevant benchmarks. Our annual Carbon Metrics Report is published on our website. Defining and reporting carbon metrics in private markets is more challenging and we are looking at solutions to this, as well as at conducting analysis on physical climate risks.

We have set a number of targets for our listed portfolios, which are outlined in our Climate Change Policy. We aim to improve the carbon intensity of our portfolios by 7% each year until 2022. We seek to decarbonise the portfolios in comparison to both their benchmarks and also our December 2019 baseline, where portfolios were operational. We have achieved this across all of our listed market portfolios in year one.

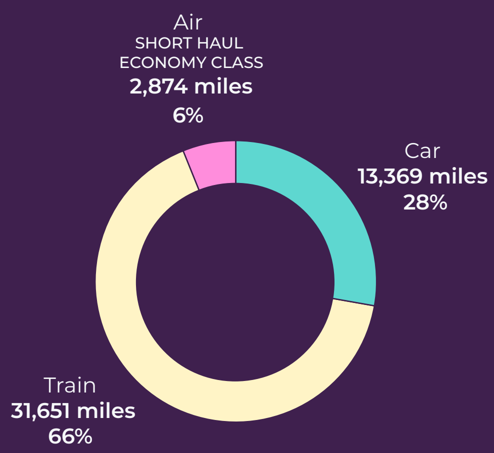
We recognise that climate-related risks can be managed in different ways in active and passive mandates as well as for different asset classes. We have developed a Passive Low Carbon Equities Portfolio, to provide equity returns with considerably lower exposure to carbon emissions (c.80% lower) and fossil fuel reserves (c.90% lower) relative to the MSCI World Index. We see the traditional benchmarks and indices as a block to decarbonisation across the industry and are actively seeking and encouraging the development of lower-carbon index solutions.

We have started the process of developing positive contribution reporting of our portfolios including the use of the Sustainable Development Goals (SDGs) and look forward to rolling this out to clients in 2021.

Emission by mode of transport
for 12 months to 30 September 2020



Business travel, distance travelled in miles
for 12 months to 30 September 2020



Calculation method	Greenhouse gas	Fossil fuel emissions
		Scope 3 (metric tonnes)
Distance travelled	CO2	7.6812
	CH4	0.0001
(Calculated from expense claim divided by 45p per mile)	N2O	0.0005
Total (metric tonnes CO2e)		7.8336

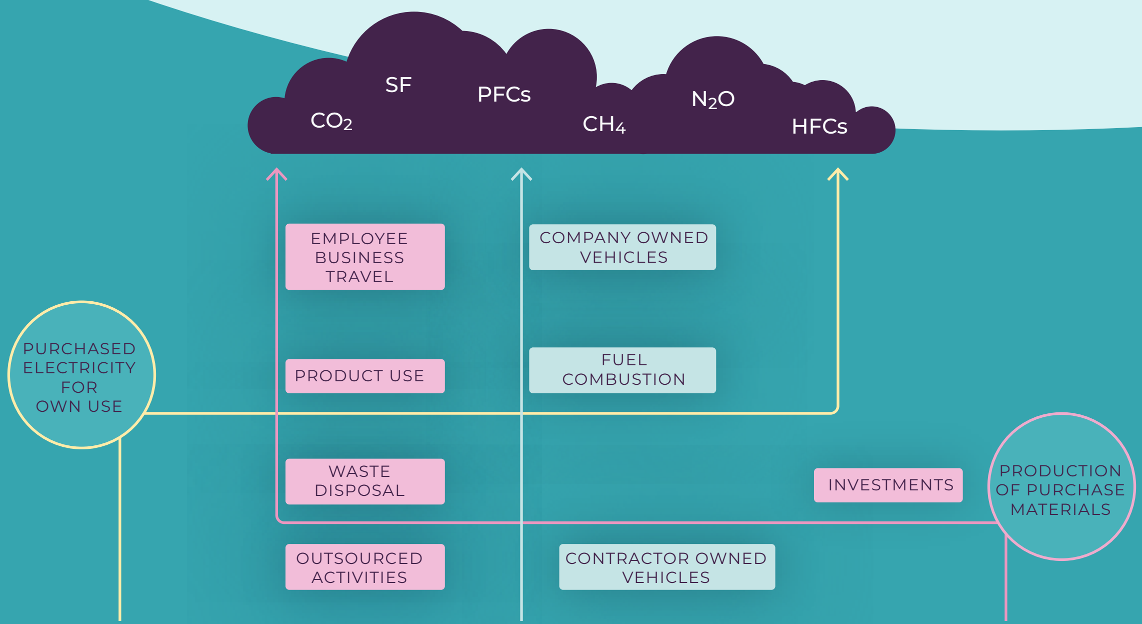
Emissions calculated using GHG Protocol Model: World Resources Institute (2015). GHG Protocol tool for mobile combustion. Version 2.6

Within our own operations, we have this year undertaken analysis of our staff business travel. Whilst it is not always logistically possible, we encourage staff to travel by public transport as much as possible. Over the 12-month period to 30 September 2020, 66% of our business travel (by mileage) was undertaken by train, 28% by car and 6% by air (economy class). The proportion of car journeys this year is likely to have been higher due to COVID-19.

We have used the mileage data for business travel to estimate our carbon footprint from these activities, using a tool published by the Greenhouse Gas Protocol (GHG Protocol). Whilst car journeys make up only 28% of business travel, they accounted for 54.5% of emissions in the 12 months to the end of September 2020. Where public transport is not an option, we encourage staff to car share where appropriate.

Whilst the largest impact to our scope 3 emissions comes from our investment portfolios, we are assessing different methodologies so we can look to further Scope 3 footprinting (including staff commuting for example) in our reporting.

Scope 1, 2 and 3 definitions



SCOPE 2
INDIRECT

Scope 2 emissions are indirect emissions from electricity purchased and used by the organisation. These emissions are created during the production of the energy.

SCOPE 1
DIRECT

Scope 1 emissions account for all direct greenhouse gas emissions from the activities of an organisation. This includes activities on site such as the use of gas boilers for heating buildings, emissions from company vehicles, leaks from air-conditioning units and emissions from any onsite processes such as cement manufacturing.

SCOPE 3
INDIRECT

Scope 3 emissions are all other indirect emissions with the exclusion of scope 2 (see left). These emissions occur from activities or sources that the organisation do not directly own or control. These include activities such as business travel, employee commuting, waste and water services and investments.

The Radcliffe Camera, University of Oxford

Other disclosures: Gender pay

Gender pay

Brunel has fewer than 250 employees, so is not required to disclose its gender pay gap. As Brunel is committed to being transparent and an attractive employer, the Remuneration Committee has voluntarily disclosed gender pay gaps.

Brunel aims to create an inclusive and diverse workplace and the gender pay review helps us monitor fair remuneration within our workforce.

Brunel has, 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.

Brunel acknowledges its own gender pay gap. The gap reflects the fact the lower quartile still largely comprises female members of staff (77%), despite falling 5% over the year. Brunel is committed to giving staff opportunities to develop through corporate and individual training and development plans. This is demonstrated by our annual pay review, which incorporates a competency framework, enabling the business to identify opportunities to develop our workforce.

As of 5 April 2020, Brunel had 49 employees (27 female and 22 male), a small sample that makes the data highly sensitive. Small differences can therefore alter outcomes profoundly.

There is also a gender pay gap in the upper quartile (67% of the upper quartile is male in comparison, 33% are female). Where gender pay differentials occur, they are recognised, and then addressed by training and development.

The median gender pay gap has fallen for a second consecutive year, which is testament both to Brunel's awareness of the issue and to its commitment to address the gap through training and flexible working.

The mean gender pay gap, however, has increased, due to the male-female ratio change on our board and in senior management. This serves as a reminder that changes in board membership can have a material impact in our gender pay gap.

Providing management training and clear routes for progression for our senior staff will be key if we are to continue to narrow the gap, since they will help us with both recruiting and retaining staff in coming years.

Our commitment to our people remains key. Flexible working policies enable career progression at Brunel to be tailored to individual needs and manager training in the past year has helped to build trust among staff. Finally, the continued development of our recruitment process has only added to our flexibility and progress in this area.

Women's mean hourly rate

2019

Women's mean hourly rate is 15% lower than for men. In other words, when comparing mean hourly rates, women earn 85p for every £1 that men earn.

2020

Women's mean hourly rate is 31% lower than for men. In other words, when comparing mean hourly rates, women earn roughly 69p for every £1 that men earn.

Women's median hourly rate

2019

Women's median hourly rate is 41% lower than for men. When comparing median hourly rates, women earn 59p for every £1 that men earn.

2020

Women's median hourly rate is 32% lower than for men. When comparing median hourly rates, women earn 68p for every £1 that men earn.

No staff receive bonus pay.

Women make up the following share of each quartile:

2018	2019	2020
50% of Upper	40% of Upper	33% of Upper
57% of Upper Middle	50% of Upper Middle	42% of Upper Middle
29% of Lower Middle	50% of Lower Middle	67% of Lower Middle
100% of Lower	82% of Lower	77% of Lower

CEO pay ratios

CEO pay ratios examine the relationship between the highest paid executive directors and employee salaries throughout the organisation. This ratio calculates how many years it would take an employee in each of the quartile salary ranges to earn the same as the highest paid executive.

The figures for Brunel have been based on the gender pay data and quartile calculations. These are shown in the table below for 2018/19 and 2019/20.

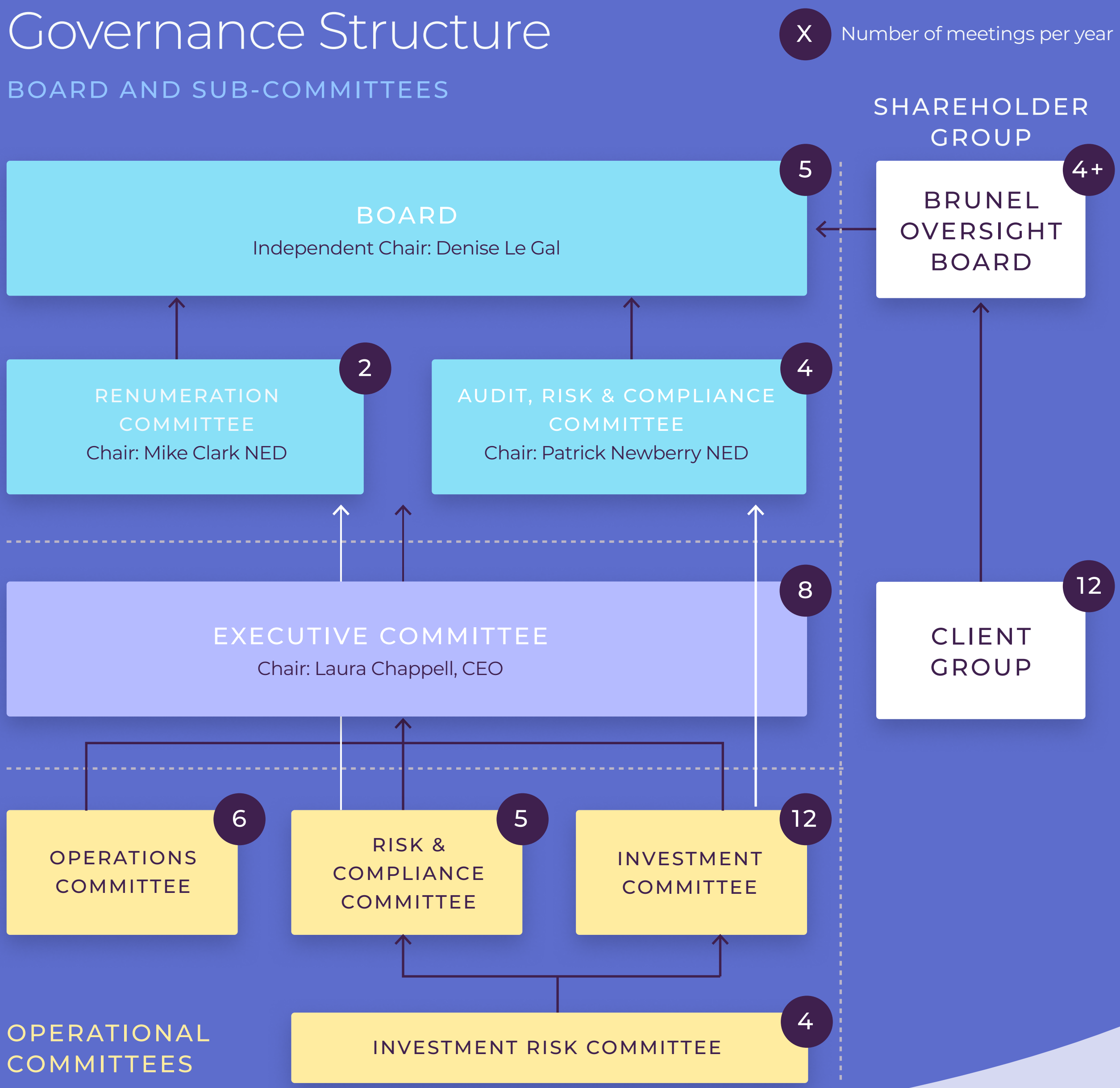
Overall, the CEO pay ratio has increased since 2018/2019. This increase is the result of the increase in the CEO pay, identified during the 2019 benchmarking pay review and adjusted upon reappointment of the new CEO. There is an element of a widening gap arising from the review exercise and an increase in the cost of living.

Quartile	2018/2019	2019/2020	Change
Quartile 2	1.38	1.52	-0.14
Quartile 3	2.01	2.20	-0.19
Quartile 4	3.74	3.80	-0.06
Lowest	6.01	6.50	-0.49

2
Corporate Governance

Governance Structure

BOARD AND SUB-COMMITTEES



Membership of board committees / attendance

Brunel governance

- Brunel is an FCA-regulated MIFID firm and accordingly needs to be compliant with the FCA principles PRIN 2.1 The Principles – FCA Handbook, which is a general statement of fundamental obligations that must apply to a firm
- As of 30 September 2020, the board of Brunel consists of four Independent Non-Executive Directors (NEDs), including the Chair, and two Executive Directors, with two open Executive Director posts
- Independent Non-Executive Directors chair all board sub-committees and are the only permanent members
- Executive members of the board are the CEO and COO
- The Brunel Oversight Board comprises one representative from each Pensions Committee (ten in total) and two member-representative observers
- Client Group is made up of Client Fund Officers

Shareholder group engagement

- Brunel is one of eight national Local Government Pension Scheme pools in England and Wales (LGPS)
- Brunel has ten shareholders, each with a ten percent share of the business. These are Brunel's client funds: Avon, Buckinghamshire, Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset and Wiltshire.

The Client Group is a key focal point for the Partnership and has been extremely active and effective in the past year. Meetings have by necessity moved to fully virtual media since the first lockdown, displaying a significant element of flexibility in the group's operations. It has also been possible to increase the level of coordination and contact since the onset of COVID-19, with the addition of fortnightly meetings; this has enabled the company and clients to combine very effectively with minimal disruption to business.

Underpinning Client Group are the sub-groups covering finance, operations, investment and responsible investment, along with strategy and governance. This structure facilitates detailed project work to be completed ahead of discussion by all partnership funds and draws on the collective expertise of the group. In total, there have been 16 meetings during the year.

Shareholder assurance is provided by the Brunel Oversight Board which met four times during the year, twice in person and twice in a virtual forum, with active attendance from all ten of the client funds. Discussion topics have covered the effective operation of the company amidst a COVID environment, the increasing involvement of ESG criteria across the asset management industry, and the impact on investments from a period of extreme economic and market dislocation.

Stakeholder engagement

Aligning the company and its operations with the pension committees of the client funds is an important focus for Brunel. Representatives from the investment and executive teams met with 15 committees during the year, as well as providing 10 training sessions and workshops on investment themes such as climate change and Brunel's investment approach.

In November 2019, the company was pleased to host three investor days in Exeter, Oxford and Bristol for clients and committee members, at which the board and investment teams presented on topics that included the investment and macro-economic outlook, plans for portfolio launches, and Brunel's responsible investment strategy. 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.

Brunel has a further responsibility to engage with the wider investment industry and team members have been active participants at forums addressing groups across the LGPS community, while engaging with policy makers 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.

Joe Webster
Director and Chief Operating Officer

Springbok solar farm, Kern County, California

Springbok is a 448 Megawatt-dc solar development in Kern County California, one of the largest solar developments in the world. The fund is invested, through Cycle 1, in the development through the Capital Dynamics Clean Energy Infrastructure VII-A fund.
Images: Capital Dynamics

Directors' Report

FOR THE YEAR ENDED 30 SEPTEMBER 2020

The directors of Brunel Pension Partnership Limited (Brunel) present their report and the financial statements for the year ended 30 September 2020.

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.

Results and dividends

The loss for the year, after taxation, amounted to (£3,152,967) (2019: £323,496).

No dividends were paid during the year (2019: nil) and no recommendation is made to pay a final dividend.

Expected future developments

Expected future developments are set out in the strategic report. We have launched multiple new funds since the year end, including the Diversifying Returns fund, Global Small Cap fund, Sustainable Equities fund, and Stepstone Infrastructure fund (cycle 2). We also launched manager searches for our Multi-Asset Credit and Sterling Corporate Bond funds.

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.

Roman baths, Bath

Directors

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

Name	Appointed	Resigned
Laura Jane Chappell	-	-
Michael John Clark	-	-
Denise Marie-Reine Le Gal	-	-
Mark Robert Mansley	-	15 May 2020
Patrick John Newberry	-	-
Stephen John Tyson	-	-
Joseph Andrew Webster	-	-

Board attendance

The list below shows the attendance at Brunel board meetings by board directors during the year. There were seven formal board meetings held during the financial year ending 30 September 2020.

Director	Meetings
Laura Jane Chappell	7/7
Michael John Clark	7/7
Denise Marie-Reine Le Gal	7/7
Mark Robert Mansley	5/5
Patrick John Newberry	7/7
Stephen John Tyson	7/7
Joseph Andrew Webster	6/7

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 2020, the actuary has reported a pension deficit of £6,587,000, (2019: £1,521,000).

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 have been no significant events that affect the Company since 30 September 2020.

Independent auditors

At the board meeting held on 20 January 2021, Grant Thornton UK LLP was reappointed as auditor of the Company, in accordance with s487 of the Companies Act 2006. Grant Thornton UK LLP have expressed their willingness to continue in office as auditor. Following the finalisation of the 2019-20 external audit, Grant Thornton UK LLP will be proposed for reappointment as auditor of the Company at the Annual General Meeting on 25 March 2021.

This report was approved by the board on 20 January 2021 and signed on its behalf.

Joe Webster Director and Chief Operating Officer
21 January 2021

Report of the Independent Auditor

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

Opinion

We have audited the financial statements of Brunel Pension Partnership Limited (the 'Company') for the year ended 30 September 2020, which comprise the statement of total comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in equity and notes to the financial statements, including a summary of 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 2020 and of its result 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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.

Matter on which we are required to report under the Companies Act 2006

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.

Statue of Jan Reid, Black Lives Matter demonstrator, unveiled in Bristol, June 2020. The Black Lives Matter movement became a global phenomenon in 2020, creating a major opportunity for change. In June, Helen Price wrote a blog on #IAM and #TALKABOUTBLACK and on how the finance industry is engaging.

Matters on which we are required to report by exception

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 for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 28, 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. 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.

Grant Thornton UK LLP

Paul Flatley
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
LONDON

21 January 2021

3

Financial Statements

Statement of Total Comprehensive Income

BRUNEL PENSION PARTNERSHIP LIMITED

For the year ended 30 September 2020

	Note	2020 (£)	2019 (£)
Turnover		10,984,241	9,753,026
Cost of sales	*14*	(5,532,957)	(4,540,865)
Gross profit		**5,451,284**	**5,212,161**
Administration expenses	*15*	(5,020,630)	(3,960,829)
Operating profit		**430,654**	**1,251,332**
Interest receivable and similar charges		18,933	10,063
Interest payable and similar charges		(949)	(907)
Profit before taxation		**448,638**	**1,260,488**
Taxation	*18*	(38,905)	(204,102)
Profit for the year		**409,733**	**1,056,386**
Other comprehensive income		**409,733**	**1,056,386**
Actuarial losses	*20*	(4,452,000)	(883,000)
Tax credit on items of other comprehensive income	*18*	889,300	150,110
Total comprehensive income for the year		**(3,152,967)**	**323,496**

Statement of Financial Position

BRUNEL PENSION PARTNERSHIP LIMITED

For the year ended 30 September 2020

	Note	2020 (£)	2019 (£)
Assets			
Non-current assets			
Tangible assets	*8*	231,309	297,913
Intangible assets	*9*	18,943	132,604
Long term debtors	*10*	6,615,750	49,750
Total		**6,866,002**	**480,267**
Deferred tax asset	*18*	1,656,538	806,143
Current assets			
Debtors	*11*	668,920	2,270,083
Cash at bank and in hand	*12*	10,582,841	7,262,084
Total		**11,251,761**	**9,532,167**
Total assets		**19,774,301**	**10,818,577**
Liabilities			
Current liabilities			
Creditors: amounts falling due within one year	*13*	5,403,588	4,936,601
Total		**5,403,588**	**4,936,601**
Non-current liabilities			
Net defined benefit obligations	*20*	6,587,000	1,521,000
Provisions for other liabilities	*19*	99,704	90,000
Total		**6,686,704**	**1,611,000**
Total liabilities		**12,090,292**	**6,547,601**
Net current assets		**5,848,173**	**4,595,566**
Net assets		**7,684,009**	**4,270,976**
Equity			
Capital and reserves			
Called up share capital	*21*	20	20
Share premium account	*22*	8,399,980	8,399,980
Capital Contribution	*22*	6,566,000	-
Retained earnings	*22*	(7,281,991)	(4,129,024)
Total equity		**7,684,009**	**4,270,976**

The financial statements were approved by the Brunel board on 20 January 2021 and signed on its behalf.

Joe Webster – Director and Chief Operating Officer
21 January 2021

Statement of Cash Flows

BRUNEL PENSION PARTNERSHIP LIMITED

For the year ended 30 September 2020

	Note	2020 (£)	2019 (£)
Cash flows from operating activities			
Operating profit		430,654	1,251,332
Adjustments for:			
Depreciation of tangible assets	*8*	114,035	101,544
Write off tangible assets	*8*	21,103	-
Amortisation of intangible assets	*9*	113,661	112,598
Interest paid		(949)	(907)
Interest received		18,933	10,063
Decrease/(increase) in trade and other debtors	*10 & 11*	1,601,163	(1,307,631)
Increase in trade creditors and restoration obligation liability	*13 & 19*	476,691	1,501,780
Post-employment benefits less payments		614,000	184,000
Cash from operations		**3,389,291**	**1,852,779**
Income taxes paid		-	-
Net cash generated from operating activities		**3,389,291**	**1,852,779**
Cash flows from investing activities			
Purchase of tangible assets	*8*	(68,534)	(68,533)
Purchase of intangible assets	*9*	-	(23,000)
Net cash used in investing activities		**(68,534)**	**(91,533)**
Cash flows from financing activities			
Issue of ordinary share capital		-	-
Net cash generated from financing activities		-	-
Net increase in cash and cash equivalents		3,320,757	1,761,246
Cash and cash equivalents at the beginning of the year	*12*	7,262,084	5,500,838
Cash and cash equivalents at the end of the year	*12*	**10,582,841**	**7,262,084**

Statement of Changes in Equity

BRUNEL PENSION PARTNERSHIP LIMITED

For the year ended 30 September 2020

	Share Capital (£)	Share Premium (£)	Capital Contribution (£)	Retained earnings (£)	Total (£)
Balance at 01 October 2018	20	8,399,980		(4,452,520)	**3,947,480**
Profit for the year				1,056,386	**1,056,386**
Other comprehensive income				(732,890)	**(732,890)**
Subtotal				323,496	**323,496**
Balance at 01 October 2019	**20**	**8,399,980**		**(4,129,024)**	**4,270,976**
Profit for the year				409,733	**409,733**
Other comprehensive income				(3,562,700)	**(3,562,700)**
Subtotal				(3,152,967)	**(3,152,967)**
Transactions with shareholders					
Recognition of pension reimbursement asset			6,566,000		**6,566,000**
Balance at 30 September 2020	**20**	**8,399,980**	**6,566,000**	**(7,281,991)**	**7,684,009**

Please see notes 4.7, 21 and 22 below.

Notes to the Financial Statements

BRUNEL PENSION PARTNERSHIP LIMITED

For the year ended 30 September 2020

1 Company information

The Company is a private company limited by shares 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 United Kingdom 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 plan 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 COVID-19 pandemic caused a significant deterioration in economic conditions for some companies and increased economic uncertainty for others. The directors reviewed the business risks to consider if these events or conditions cast significant doubt on the Company's ability to continue as a going concern, or in severe cases whether the going concern assumption is still appropriate as a basis for the preparation of the financial statements. This review included consideration of the following:

- the Company was established to support the pooling of Local Government Pension Schemes. The shareholders and clients are Local Government Pension Schemes and the directors see no reason to doubt their ongoing support.
- the Company has assessed its principal risks in response to the challenges presented by the current operating environment. Brunel's operating model and infrastructure was designed around outsourced providers and a flexible / mobile workforce tailored for this environment. From an operational perspective technology has allowed all key activities to continue and the organisation to deliver its investment management services without disruption. Additional focus and support have been provided to staff with regards wellbeing as the consequences of prolonged periods of home working, including risk assessment, provision of additional equipment, coaching, contact events and training support.
- the effectiveness of the Company's operational resilience processes including the ability of key outsourcers to continue to provide services. Brunel continues to have increased contact and oversight of key outsource providers and closely monitors all aspects of exposure on an ongoing basis.

- the Company has reviewed the nature of its income and expenses and the impact of potential downside scenarios on profitability, liquidity, and capital. Brunel's income is derived from a forecast cost-plus basis and services delivery remains in line with expectations so no significant impact is anticipated on revenue. Brunel's 10 clients / shareholders are Local Authority pension schemes and there is no perceived reduction in the strength of their covenant. Brunel has experienced no significant increase in expenses but expects to see an on-going reduction in the use of travel and training budgets in the current climate. As a consequence, Brunel anticipates no material increase in liquidity risks and forecast cashflow position or profitability over the next 12 months.

- The Company, as part of its Internal Capital Adequacy Assessment Process (ICAAP) has undertaken reverse stress tests and tested scenarios that could arise from the pandemic (economic downturn and loss of income) and this shows Brunel is adequately resourced and is able to take management action to withstand these periods of stress.

- the Company maintains a watching brief over the longer term economic and social impacts both locally, nationally and internationally.

- the Company has undertaken independent assurance in respect of its response to the pandemic which shows an adequate response has been undertaken.

- Management have also reviewed the accounting policies and ascertain no changes are required from the impact of COVID-19.

The directors have also considered the impact of Brexit. Brunel's initial analysis indicates the direct impact of Brexit on the Company will be minimal. Management will continue to maintain a watching brief as things evolve in terms of investment and legal agreements, taxation and regulatory arrangements and work closely with our key outsource providers to mitigate the potential risks from disruption of services.

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 is 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. It forms a charge within the Administration Expenses.

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 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 participates in a defined benefit plan administered by Wiltshire Council. A defined benefit plan 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 Balance sheet in respect of the defined benefit plan is the estimated present value of the Company's share of the estimated defined benefit obligation at the balance sheet date less the Company's share of the fair value of plan assets at the balance sheet 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 plan 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 plan is recognised in profit or loss as employee costs, except where included in the cost of an asset, compromises:

a) The increase in net pension benefit liability arising from employee service (including transfers received) during the period; and

b) The cost of plan 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 plan 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 with all defined benefit schemes the quantum of these contributions can be volatile since they are dependent on a range of actuarial risks which Brunel has no control over (prior to arranging protections). To mitigate this volatility, during the year Brunel entered into a Pension Cost Recharge Agreement ("PRA"). The implementation of the PRA provides certainty to Brunel 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.

Brunel 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 plan 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 2020 which would be necessary to pay off the funding deficit. As a result of fair valuation it is not always expected that the asset will exactly offset the liability, any differences will be recognised in other comprehensive income.

This subsequent pension reimbursement asset has been recognised as a long-term debtor on the balance sheet and the corresponding credit has been recognised as a capital contribution from its shareholders in the statement of changes in equity.

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 for 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 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. Brunel's business plan stipulates that revenues will be earnt on a cost-plus basis, defining the income as probable.

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

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).

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 cost plus a mark-up of 5%.

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 t o 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. 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 19.

6 Auditors remuneration

Fees payable to the Company's auditor for the audit of the Company's annual financial statements totalled £42,000 (2019: £41,200) ex VAT.

Fees payable to the Company's auditor in respect of other audit related services were £7,500 (2019: £15,000) ex VAT. These services relate to the provision of a Client assets report to the Financial Conduct Authority in 2019 and 2020 and also in 2019 for an MLRO audit.

7 Directors and employees

Staff costs during the year were as follows:

	2020 (£)	2019 (£)
Wages and salaries	3,401,932	2,566,149
Social security costs	411,398	308,692
Other pension costs	554,933	408,863
Total	**4,368,263**	**3,283,704**

The Company operates a defined benefit pension scheme for the benefit of the employees and executive directors. The assets of the scheme are administered by the Wiltshire Penson Fund. Employer contributions are recognised as an expense during the year, these amount to £554,933 (2019: £408,863). Not included in these tables are FRS102 pension cost adjustments made at the 2020 year-end that bring the expense to £1,208,061 (2019: £752,863).

The average number of employees, including directors, during the year was 45 (2019: 36).

Remuneration in respect of key personnel was as follows:

	2020 (£)	2019 (£)
Emoluments	1,253,453	1,144,685
Social security costs	159,853	145,325
Pension contributions to defined benefit scheme	220,580	203,148
Total	**1,633,886**	**1,493,158**

Remuneration in respect of directors was as follows:

	2020 (£)	2019 (£)
Emoluments	525,400	705,822
Social security costs	64,844	87,643
Pension contributions to defined benefit scheme	58,667	87,486
Total	**648,911**	**880,951**

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

	2020 (£)	2019 (£)
Emoluments	145,000	138,130
Social security costs	18,809	17,885
Pension contributions to defined benefit scheme	26,231	24,449
Total	**190,040**	**180,464**

8 Tangible fixed assets

	Furniture and Equipment (£)	Computer Hardware (£)	Total (£)
Cost			
At 01 October 2019	402,378	89,304	491,682
Additions *	32,754	35,780	68,534
Disposals	(13,068)	(19,825)	(32,893)
At 30 September 2020	**422,064**	**105,259**	**527,323**
Depreciation			
At 01 October 2019	147,264	46,505	193,769
Provided in the year	82,643	31,392	114,035
Disposals	(1,143)	(10,647)	(11,790)
At 30 September 2020	**228,764**	**67,250**	**296,014**
Net book value at 30 September 2020	**193,300**	**38,009**	**231,309**
Net book value at 30 September 2019	**255,114**	**42,799**	**297,913**

*Includes £9,704 (2019: £16,410) on account of estimated cost of site restoration obligations included in Furniture and Equipment.

9 Intangible fixed assets

	Internal Control Environment (£)	Total (£)
Cost		
At 01 October 2019	283,744	283,744
Additions	-	-
Disposals	-	-
At 30 September 2020	**283,744**	**283,744**
Amortisation		
At 01 October 2019	151,140	151,140
Provided in the year	113,661	113,661
Disposals	-	-
At 30 September 2020	**264,801**	**264,801**
Net book value at 30 September 2020	**18,943**	**18,943**
Net book value at 30 September 2019	**132,604**	**132,604**

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.

10 Long term debtors

	2020 (£)	2019 (£)
Lease Deposit*	49,750	49,750
Pension Reimbursement Asset **	6,566,000	-
Total	**6,615,750**	**49,750**

**The deposit is not expected to mature until the end of the lease on 31/07/2027 and no earlier than the break-date on 31/07/2022.*

***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 Brunel'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.

11 Debtors

Due within one year	2020 (£)	2019 (£)
Input VAT	177,102	194,287
Accrued Income	17,842	455,175
Prepayments	445,413	339,009
Trade Debtors	22,187	1,281,612
Other Debtors	6,376	-
Total	**668,920**	**2,270,083**

12 Cash at bank and in hand

	2020 (£)	2019 (£)
Cash at bank and in hand	10,582,841	7,262,084
Total	**10,582,841**	**7,262,084**

13 Creditors: amounts falling due within one year

	2020 (£)	2019 (£)
Payroll Costs	69,768	65,146
Output VAT	567,340	534,515
Social Security Costs	113,884	92,244
Accruals	1,286,896	1,178,446
Deferred Revenue	3,144,442	2,671,805
Trade Creditors	200,960	363,118
Deferred Rent	20,272	31,327
Other Creditors	26	-
Total	**5,403,588**	**4,936,601**

14 Cost of sales

	2020 (£)	2019 (£)
Strategic Transition Management	120,000	166,000
Research Fees	30,708	6,349
Custodian & Administrator Services	844,131	912,337
Fund Investment Advice	930,319	893,315
Data Views, Sources & Benchmarks	381,940	313,808
Costs associated to Investment team activities*	3,225,859	2,249,056
Total Cost of Sales	5,532,957	4,540,865

**Costs associated to Investment team activities include direct salaries and an apportionment of overheads. This amount includes staff costs of £2,138k (2019: £1,391k), and an apportionment of Operating Lease rentals of £25k (2019: £30k).*

15 Administration expenses

	2020 (£)	2019 (£)
Statutory Audit fees	42,000	41,200
Fee for non-audit services: Client Asset Assurance	7,500	7,500
Fee for non-audit services: MLRO Assurance	-	7,500
Legal Fees	9,552	10,300
Consulting & Advisory	772,233	415,134
Operating Lease Rentals	47,400	40,340
Directors Emoluments	648,911	804,034
Staff Emoluments*	1,465,394	1,263,792
Staff Costs	45,474	27,245
Staff Development	90,394	80,075
Travel Costs	27,895	59,179
Office Running Costs	80,350	94,640
IT Development	345,186	108,708
Recruitment Costs	84,616	100,437
Insurance	203,545	185,952
Depreciation	106,882	101,544
Amortisation	113,661	112,598
Other Expenses	929,637	500,651
Total Administration expenses	5,020,630	3,960,829

**Brunel recognises a provision of £65,280 (2019: £20,497) 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.*

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

16 Operating lease commitments

The Company has total future commitments in respect of non-cancellable operating lease on office space of £152,015 (2019: £234,932), to the break date of 31/07/2022.

	2020 (£)
In the next year (ending 30/09/2021)	82,917
Later than one year and not later than five years (01/10/2021-30/09/2025)	69,098
Total	**152,015**

	2020 (£)
In the next year (ending 30/09/2020)	82,917
Later than one year and not later than five years (01/10/2020-30/09/2024)	152,015
Total	**234,932**

17 Transactions with related parties

Brunel's Shareholders paid £11,870,809 (2019: £9,614,598) for Core Services, of which £2,792,460, (2019: £1,653,359) was income received in advance relating to the October – December 2020 Quarter. £111,944, (2019: £1,540) was received in relation to elective services delivered to five clients in 2020 and one Client in 2019.

Payments of £47,005 (2019: £8,561) were made to Wiltshire Council for Payroll, HR and actuarial services in the financial year. This increase is due to more regular and enhanced FRS102 reporting for our pension liability.

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 in note 7.

18 Taxation

	2020 (£)	2019 (£)
Current Tax:	-	-
Deferred tax:		
Origination and reversal of timing differences	90,180	244,022
Adjustment in respect of previous years	130	(17,497)
Effect of changes in tax rates	(51,405)	(26,070)
Total deferred tax	**38,905**	**204,102**
Total tax per income statement	38,905	204,102
Other comprehensive income items:		
Deferred tax current year credit	(889,300)	(150,110)
Total	**(889,300)**	**(150,110)**

The tax assessed for the year is lower than the standard rate of corporation tax in the United Kingdom at 19% (2019: 19%). The differences are explained as follows:

	2020 (£)	2019 (£)
Profit for the year before tax:	448,638	1,260,487
Tax on profit at standard UK tax rate of 19% (2019: 19%):	85,242	239,493
Effects of:		
Expenses not deductible	4,938	8,176
Adjustments from previous years	130	(17,497)
Tax rate changes	(51,405)	(26,070)
Tax charge for the year	**38,905**	**204,102**
Tax on results on ordinary activities:	**38,905**	**204,102**
Deferred tax assets:		
Provision at start of year	(806,143)	(860,135)
Adjustment in respect of prior years	130	(17,497)
Deferred tax charge to income statement for the year	38,775	221,599
Deferred tax credit in OCI for the year	(889,300)	(150,110)
Provision at end of year	**(1,656,538)**	**(806,143)**

	Booked (£) 30 Sep 2020	Booked (£) 30 Sep 2019
Fixed asset timing differences	(38,925)	(16,654)
Fixed asset timing differences - pension	(1,270,474)	(273,870)
Losses	(347,139)	(515,619)
Total	**(1,656,538)**	**(806,143)**
Deferred tax assets:		
Recoverable within 12 months	(1,656,538)	(806,143)
	(1,656,538)	**(806,143)**
Deferred tax liabilities:		
Payable within 12 months	-	-
	-	-

19 Provisions for other liabilities

Brunel has an obligation for the restoration of its office space on termination of its lease. A provision of £99,704 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, and the earliest t his cost could arise would be at the rent review date of 31/7/2022.

	Site Restoration Obligations (£)
As at 1 October 2019	90,000
Provision made in the year	9,704
As at 30 September 2020	**99,704**

20 Pension commitments

Brunel 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. Brunel, as the employing body, also contributes into the scheme at 18.5% (2019: 17.7%) 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 Recharge Agreement described below.

LGPS is accounted for as a defined benefits scheme. The liabilities of the LGPS attributable to Brunel 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, employee turnover rates, etc. and projections of earnings for current employees.

Brunel'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.

Brunel'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 Brunel. This liability is shared equally.

A Pension Cost Recharge Agreement (PRA) was signed on 24 September 2020. This provides assurance to Brunel 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 Brunel are funded, forming part of the annual Business Planning and budget setting cycle approved by shareholders. Brunel 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 Brunel.

Each year Brunel commissions Hymans Robertson to provide a FRS102 pension accounting report to determine the position as at Brunel'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 balance sheet and the costs shown in the profit and loss statement.

The schemes in the UK typically expose Brunel to actuarial risks such as investment risk, interest rate 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 yields. If the return on plan 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 plan's debt instruments;
- Longevity risk – the present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability; and
- Salary risk – the present value of the defined benefit scheme liability is calculated by reference to the future salaries of plan participants, as such, an increase in the salary of the plan participants will increase the plan's liability.

This is a funded scheme, meaning that Brunel 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 Total Comprehensive Income on the basis required by FRS 102.

Costs for 2020 described below £614,000 (2019: £1,067,000) are recognised in the 2020 Financial Statements.

Post-employment benefits summary

	2020 (£)	2019 (£)
Net Assets	6,813,000	5,078,000
Net Liabilities	(13,400,000)	(6,599,000)
	(6,587,000)	**(1,521,000)**

Reconciliation of opening and closing balances of the defined benefit obligation

	2020 (£)	2019 (£)
Defined benefit obligation at start of year	6,599,000	2,975,000
Current service cost	1,167,000	736,000
Interest expense	145,000	120,000
Contributions by plan participants	303,000	263,000
Transfers In	568,000	1,459,000
Remeasurements:		
Changes in financial assumptions	1,231,000	1,418,000
Other Experience	3,387,000	(372,000)
Defined benefit obligation at end of year	**13,400,000**	**6,599,000**

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

	2020 (£)	2019 (£)
Fair value of plan assets at start of year	5,078,000	2,521,000
Interest income	110,000	106,000
Return on plan assets in excess of interest income	166,000	163,000
Contributions from the employer	588,000	566,000
Contributions from employees	303,000	263,000
Transfers In	568,000	1,459,000
Fair value of plan assets at end of year	**6,813,000**	**5,078,000**

The actual return on plan assets over the year ending 30 September 2020 was 3.2% (2019: 6.8%)

Defined benefit costs recognised in statement of comprehensive income

	2020 (£)	2019 (£)
Current service cost	1,167,000	736,000
Net interest cost	145,000	120,000
Defined benefit costs recognised in statement of total comprehensive income	**1,312,000**	**856,000**

Defined benefit costs recognised in Other Comprehensive Income

	2020 (£)	2019 (£)
Return on plan assets (excluding amounts included in net interest cost)	166,000	163,000
Experience gains and losses on the plan liabilities	(3,387,000)	372,000
Effects of changes in the demographic and financial assumptions underlying the present value of the plan liabilities	(1,231,000)	(1,418,000)
Total amount recognised in other comprehensive income	**(4,452,000)**	**(883,000)**

The cost recognised in Other Comprehensive Income for 2020 is £4,452,000, (2019: £883,000).

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:

	2020 (%)	2019 (%)
Equities	50%	71%
Bonds	38%	14%
Property	12%	13%
Cash	0%	2%
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

	2020 (£)	2019 (£)
Reimbursement asset at start of year	-	-
Net Interest on reimbursement asset	-	-
Increase in reimbursement asset due to current service	-	-
Gain on reimbursement asset	6,566,000	-
Reimbursement asset at end of year	**6,566,000**	-

Assumptions

	30 Sep 2020 (% pa)	30 Sep 2019 (% pa)	30 Sep 2018 (% pa)	30 Sep 2017 (% pa)
Discount rate	1.6%	1.9%	2.9%	2.8%
Salary increase rate	3.5%	3.0%	3.0%	3.0%
Pension Increase Rate (CPI)	2.1%	2.2%	2.4%	2.4%

Average life expectancies	Males	Females
Current Pensioners	21.7 years	24.0 years
Future Pensioners*	22.5 years	25.5 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 2020:	Approximate % increase to Defined Benefit Obligation	Approximate Monetary amount (£)
0.5% decrease in Real Discount Rate	16%	2,182,000
0.5% increase in the Salary Increase Rate	3%	343,000
0.5% increase in the Pension Increase Rate (CPI)	13%	1,789,000

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 2020:	Approximate % increase to Reimbursement Asset	Approximate Monetary amount (£)
0.5% decrease in Real Discount Rate	39%	2,569,000

21 Called up share capital

Authorised, allotted and fully paid:	2020	2019
20 ordinary shares of £1 each	20	20
	20	20

Ordinary Shares

	2020 Number
At 01 October 2019	20
Share issue	-
At 30 September 2020	20

22 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. Capital Contributions represents a credit arising on initial recognition of the pension reimbursement asset. Retained earnings includes all current and prior year retained profit or losses.

23 Post Balance Sheet events

There are no known Post Balance Sheet Events at the point of publication.