



**Dorset County Pension Fund**  
Final report to the Pension Fund Committee on  
the 2021 audit

2 February 2024

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# Executive Summary

## The key messages in this report:

I have pleasure in presenting our Final Report to the Pension Fund Committee for the 2021 audit of the Dorset County Pension Fund (the 'Fund'). The completion of the audit of the Pension Fund has been delayed until the Dorset Council financial statements for 2021 were ready to be signed. I would like to draw your attention to the key messages of this paper:

**Audit quality is our number one priority.**

We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

A **robust** challenge of the key judgements taken in the preparation of the financial statements.

A strong **understanding** of your internal control environment.

A **well planned** and delivered audit that raises findings early with those charged with governance.

### Status of the audit

Our audit is substantially complete with the following outstanding items:

- Subsequent events review to the date of signing
- Receipt of signed letter of representation

### Significant audit risk and audit focus areas

We identified the following risks:

- Significant audit risk: management override of controls.
- Significant audit risk and area of audit focus: directly held property testing has been a blended approach of significant risk and an area of audit focus. In our planning call with Deloitte Real Estate (DRE) we recognised that there were certain properties in the portfolio which have characteristics such as vacant units or restaurant and gym tenants in the leisure sector (where the sector would be considered to be under stress) which have been flagged by DRE at the planning stage for further work and have been classified as significant risks at the planning stage. The remaining properties are considered an area of audit focus tested via a substantive analytical review. Where properties fell outside of our calculated thresholds, they have been upgraded to a significant risk and referred to DRE for further testing.
- Area of audit focus: Completeness and valuation of investments.

Please refer to pages 5 to 7 for details of our audit conclusions. There are no corrected misstatements. Non-material uncorrected misstatements are noted on page 12. Non-material other disclosure recommendations are noted on pages 13 to 15. Audit insights as a result of our testing have been included in pages 16 to 19.

















### Materiality






Our materiality was £33.5m (2019/20: £27.1m) based on 1% of the net assets of the fund. The current year misstatements reporting threshold is £670k (2019/20: £540k) based on 2% of materiality.

**Ian Howse**  
Audit Partner

# Scoping

## Risk dashboard

Risk Identified	Material Balance	Management Judgement /Complexity	Controls Approach	Fraud Risk	Summary conclusion
 <b>Significant Risk</b> Management override of controls			D&I		Pg. 5
 <b>Significant Risk</b> Valuation of directly held property investment (for certain properties identified at the planning stage or upgraded during the testing phase)			D&I		Pg.6
 <b>Other Focus Area</b> Valuation of directly held property investment (for all other properties)			D&I		Pg. 7
 <b>Other Focus Area</b> Completeness and valuation of investments with focus on Private equity investments			D&I		Pg. 7

 Significant Risk	 Low levels of management judgement/complexity	<b>D&amp;I</b> Design and Implementation
 Other area of audit focus	 Medium levels of management judgement/complexity	<b>OE</b> Operating effectiveness
	 High degree of management judgement/complexity	

# Significant risk

## Management override of controls

### Risk identified

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In accordance with ISA 240 (UK) management override is always a significant risk for financial statement audits.

The primary risk areas surrounding the management override of internal controls are over the processing of journal entries and the key assumptions and estimates made by management.

### Deloitte response to significant risk identified

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In order to address the significant risk, we performed the following audit procedures:

- Used Spotlight, our data analytics software, in our journals testing to interrogate 100% of journals posted across the Fund. This uses intelligent algorithms that identify higher risk and unusual items which are tested to supporting documentation;
- Performed a walkthrough of the financial reporting process to identify the controls over journal entries and other adjustments posted in the preparation of the financial statements;
- Made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments;
- Tested the design and implementation of controls around the journals process, and investment and disinvestment of cash during the year;
- Reviewed related party transactions and balances to identify if any inappropriate transactions have taken place;
- Reviewed the accounting estimates for bias, such as year-end debtor and creditor postings and the valuation of unlisted investments, that could result in material misstatement due to fraud, including whether any differences between estimates best supported by evidence and those in the financial statements, even if individually reasonable, indicate a possible bias on the part of management; and
- Assessed whether there is an appropriate level of segregation of duties over processing journal entries to the financial statements throughout the year.

### Conclusion

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No issues were noted as a result of our testing.

# Valuation of directly held property investment

**Significant risk** (for certain properties identified at the planning stage or upgraded during the testing phase) and **Other Focus Area** (for all other properties)

## Risk identified

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The Fund holds direct property valued at £261m as at 31 March 2021. There is a high level of management judgement used when valuing the property. Directly held property testing has been treated as a significant risk and an areas of audit focus, utilising a blended approach. In our planning call with Deloitte Real Estate (DRE), our in-house property specialists, we recognised that there were certain properties in the portfolio which have characteristics such as vacant units or restaurant and gym tenants in the leisure sector (where the sector would be considered to be under stress) which have been flagged by DRE at the planning stage for further work and have been classified as significant risks at the planning stage. The remaining properties will be an area of audit focus tested via a substantive analytical review. Properties that fall outside of our calculated thresholds will be upgraded to significant risk to be referred to DRE for further testing.

## Deloitte response to significant risk and other focus area identified

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In order to address the risk, we performed the following audit procedures:

- Reviewed the design and implementation of key controls over the valuation of investments by obtaining the investment manager internal control reports (where applicable) and evaluating the implications for our audit of any exceptions noted;
- Assessed the reliability, competence and capabilities of CBRE as valuer;
- Agreed the year end valuations as reported in the financial statements to the reports received directly from the investment managers;
- Agreed a sample of properties to land registry documents and yearly rent to rental agreements;
- Prepared an expectation of the year end valuation for properties held by the Fund using comparable market indices and comparing the expectation to the valuation provided by CBRE; and

### Additional procedure for significant risk properties only:

- Consulted with property specialists within Deloitte Real Estate (DRE) to review the valuation of the individual properties

## Conclusion

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10 out of 32 of the properties were identified as a significant risk and referred to DRE for further testing, all other properties were within expectation. No misstatements were noted as a result of our additional testing. However, our property specialists raised a number of insights which have been included on page 19.

# Audit focus areas

## Completeness and valuation of investments

### Risk identified

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The Fund holds a large and highly material portfolio of investments and due to the ongoing changes and numerous transactions within this portfolio, there is considered to be an increased risk of material misstatement.

Additionally, within this portfolio, there is a range of alternative investments including property, diversified growth funds and multi asset credit. These funds do not have publicly available prices and are often infrequently priced, increasing the risk of stale pricing.

### Deloitte response to audit focus area identified

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In order to address this audit focus area, we performed the following audit procedures:

- Tested the design and implementation, and the operating effectiveness where applicable, of key controls over the completeness and valuation of investments by obtaining the custodian and investment manager internal control reports (where applicable) and evaluating the implications for our audit of any exceptions noted;
- Traced all holdings in the custodian report to independent confirmations received from the underlying investment managers;
- Performed a book cost reconciliation in which the opening investment balances are reconciled to the closing investment balances by taking into account the sales and purchases during the year using State Street reports. In addition, a sample of sales and purchases from the custodian report were agreed to independently received investment manager records;
- Performed a cash reconciliation;
- Agreed the valuation of registered funds and directly held securities to publicly available prices;
- Performed independent valuation testing for a sample of year-end alternative investment holdings by rolling forward the valuation as per the latest audited accounts using cash flows and an appropriate index as a benchmark;
- Evaluated any stale price differences noted.

### Conclusion

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We have noted a number of investment misstatements. Non-material uncorrected misstatements are noted on page 12. Non-material other disclosure recommendations are noted on pages 13 to 15.

# Other risks

## Other audit considerations

Area of focus	Description	Audit response
<b>Going Concern</b>	As auditors, we are required to confirm in our audit report that the going concern basis of the financial statements is appropriate.	<p>As part of our testing we:</p> <ul style="list-style-type: none"> <li>Examined the latest publicly available information regarding the financial position of the administering body;</li> <li>Analysed the latest funding position of the Fund;</li> <li>Reviewed minutes of the Local Pension Board and Pension Fund Committee meetings.</li> </ul> <p>No issues were noted as part of our testing.</p>
<b>Fraud</b>	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.	<p>As part of our testing we:</p> <ul style="list-style-type: none"> <li>Performed procedures to assess the risk of management override as detailed on page 5;</li> <li>Reviewed the controls in place surrounding fraud risks including disinvestments; and</li> <li>Agreed 100% of investments to third party investment confirmations.</li> </ul> <p>No issues were noted as part of our testing.</p>
<b>GMP Equalisation</b>	The High Court judgement on 26 October 2018 confirmed that UK pension schemes should provide equal benefits for men and women for service from May 1990 despite inequalities in GMP legislation. The judgement also confirmed permitted methods.	<p>As part of our testing we:</p> <ul style="list-style-type: none"> <li>confirmed with the Fund Actuary any changes in the assessment of the impact of GMP Equalisation and GMP Equalisation on transfers on the Fund; and</li> <li>confirmed that no disclosures are required to be made in the financial statements due to the limited impact.</li> </ul> <p>No issues were noted as part of our testing.</p>
<b>McCloud and Sargent judgements</b>	In December 2018, the Court of Appeal found that transitional protections in the pension schemes for firefighters ('McCloud') and the judiciary ('Sargeant') resulted in unlawful age discrimination.	<p>As part of our testing we:</p> <ul style="list-style-type: none"> <li>confirmed with the Fund Actuary any changes in the assessment of the impact of the McCloud and Sargent judgements on the Fund; and</li> <li>Confirmed that appropriate disclosures have been made in the financial statements.</li> </ul> <p>No issues were noted as part of our testing.</p>



# Other risks

## Other audit considerations

Area of focus	Description	Audit response
<b>Russia Ukraine war</b>	Subsequent to the year end, Russia has invaded Ukraine	As part of our testing we: <ul style="list-style-type: none"><li>Confirmed that the pension fund had a relatively small indirect exposure to Russia through investments in the Emerging Markets Fund managed by Brunel. This equated before the invasion to about 3% of the value of that investment. Brunel instructed their underlying managers to divest from their Russian positions once the invasion had started and the remaining underlying holdings in Russia now have a zero value.</li></ul> This is a non adjusting subsequent event.
<b>September 2022 gilt crisis</b>	Subsequent to the year end, the market turmoil after the September 2022 mini-budget, liability-driven investment (LDI) funds risked being unable to meet cash collateral demands on the complex derivatives and repurchase agreement they had used to hedge against movements in interest rates	As part of our testing we: <ul style="list-style-type: none"><li>Confirmed that the collateral calls in the Fund's segregated insight LDI portfolio were made from the liquidity holdings in the portfolio without selling additional assets. In November 2022, a decision has been made to disinvest the mandate.</li><li>This is a non adjusting subsequent event, however due to its importance to the users of the financial statements we had recommended that disclosure is made in the financial statements. As noted on page 16, we conclude that this missing disclosure is not material.</li></ul>

# Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

## What we report

Our report is designed to help the Pension Fund Committee discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA (UK) 260 to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements.
- Other insights we have identified from our audit.

## The scope of our work

Our observations are developed in the context of our audit of the financial statements.

We described the scope of our work in our audit plan.

This report has been prepared for the Pension Fund Committee, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

## What we don't report

- As you will be aware, our audit is not designed to identify all matters that may be relevant to the Pension Fund Committee.
- Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.
- Finally, the views on internal controls and Fund risk assessment in our final report should not be taken as comprehensive or as an opinion on effectiveness since they will be based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

We welcome the opportunity to discuss our report with you and receive your feedback.

**Ian Howse**

For and on behalf of Deloitte LLP

2 February 2024



# Appendices

# Audit adjustments

## Unadjusted misstatements

The following uncorrected misstatements have been identified up to the date of this report.

		Debit/ (credit) fund account £m	Debit/ (credit) in net assets £m	Debit/ (credit) Prior year net assets £m
<b>Misstatements identified in current year</b>				
<b>Stale pricing</b>				
DR Investment assets – pooled investment vehicles	[1]	(24.633)	24.633	
CR Change in market value				
<b>Misstatements identified in prior years</b>				
<b>Stale pricing</b>				
DR Opening net assets	[2]	(5.154)		5.154
CR Change in market value				
<b>Disclosure misstatements</b>				
<b>Cash in transit reclassification</b>				
CR Investment assets – pooled investment vehicles	[3]		(20.000)	
DR Investment assets – cash in transit			20.000	
<b>Sales and purchases adjustment</b>				
CR Investment purchases	[4]		(0.672)	
DR Investment sales			0.672	
<b>Total</b>		<b>(29.787)</b>	<b>24.633</b>	<b>5.154</b>

[1] Stale price adjustments noted in the current year

[2] Stale price adjustments noted in the prior year (as disclosed in the prior year misstatement schedule)

[3] Reclassify £20m cash in transit at the year end which had been recognised in pooled investment funds

[4] Adjustment to investment sales and purchases compared to State Street reports

# Audit adjustments

## Disclosure

### Other disclosure recommendations

Although the omission of the following disclosures does not materially impact the financial statements, we are drawing the omitted disclosures to your attention because we believe it would improve the financial statements to include them or because you could be subject to challenge from regulators or other stakeholders as to why they were not included.

LGPS Ref	Code reference	Disclosure requirement	Quantitative or qualitative consideration
PFA 48	6.5.3.6 b)	<p><i>Net assets statement</i></p> <p>b) Investment liabilities:</p> <ul style="list-style-type: none"> <li>– Derivative contracts (including futures, options, forward foreign exchange contracts and swaps)</li> </ul> <p><i>On the net assets statement, derivatives have been netted and shown as a net liability under the Investment assets heading rather than split between Investment assets and investment liability headings</i></p>	<p><i>Derivate assets are £510k and liabilities are £1,180k. The amounts are not material.</i></p>
PFA 7	3.8.4.3, 6.5.5.1 t)	<p><i>Note 6 Events after the reporting date should refer to the impact of the September 2022 gilt crisis.</i></p>	<p><i>By Dec 22, the investment value is £3,416,769k which is a 2.3% increase since 31 March 2021. As there has not been a significant decrease in the asset value, the users of the accounts would not be misled by this missing disclosure</i></p>
PFA 44	3.4.4.1 7)	<p><i>Note 11</i></p> <ul style="list-style-type: none"> <li>– fees payable to appointed auditors for audit services</li> <li>– fees payable to the appointed auditor for any other services provided</li> </ul>	<p><i>Audit fees are £23k. The amounts are not material.</i></p>

# Audit adjustments

## Disclosure (continued)

### Other disclosure recommendations (continued)

LGPS Ref	Code reference	Disclosure requirement	Quantitative or qualitative consideration
PFA 42	6.5.2.6, 6.5.3.6 a)  4.4.4.2 2)	<p><i>Note 12 Investment income:</i></p> <ul style="list-style-type: none"> <li>- <i>has a sub heading for equities, this should make it clear that it is income from pooled investment vehicle equities as the Fund does not directly invest in equities.</i></li> <li>- <i>Has a sub heading for direct property, this would be better described as rent from properties</i></li> </ul>	<p><i>The investment income amount from equities is £2,938k and direct properties is £12,125k which are not material.</i></p>
PFA 60	4.4.4.2          4.4.4.4	<p>Where the information is material, has the pension fund disclosed the following notes in relation to investment property:</p> <p>a) The amounts recognised in the fund account for</p> <ul style="list-style-type: none"> <li>– Direct operating expenses (including repairs and maintenance) arising from investment property</li> </ul> <p>d) A reconciliation between the carrying amounts of investment property at the beginning and end of the period, showing the following:</p> <ul style="list-style-type: none"> <li>– Additions, disclosing separately those additions resulting from acquisitions and those resulting from subsequent expenditure recognised in the carrying amount of an asset</li> <li>– Net gains or losses from fair value adjustments</li> <li>– Other changes</li> </ul>	<p><i>a) The property expense amounts are not material.</i></p> <p><i>d) Property purchases of £1,420k and sales of £6,427k are shown in Note 15 are not material.</i></p>

# Audit adjustments

## Disclosure (continued)

### Other disclosure recommendations (continued)

LGPS Ref	Code reference	Disclosure requirement	Quantitative or qualitative consideration
PFA 67	2.10.4.1	<p>Where the information is material, has the pension fund made the following disclosures for all assets and liabilities measured at fair value in the Code:</p> <p>1) Information that helps users of its financial statements assess both of the following:</p> <p>a) For assets and liabilities that are measured at fair value on a recurring or non-recurring basis in the net assets statement after initial recognition, the valuation techniques and inputs used to develop those measurements</p> <p><i>The basis of valuation has not been given for the following categories:</i></p> <ul style="list-style-type: none"> <li>- <i>Level 1 other investments</i></li> <li>- <i>Level 2 cash and cash equivalents</i></li> <li>- <i>Level 3 shares in asset pool</i></li> </ul>	<p><i>Level 1 other investments are £1,418k which are not material.</i></p> <p><i>Level 2 cash &amp; cash equivalents are £4,635k and derivatives are £(670)k which are not material.</i></p> <p><i>Level 3 shares in Brunel asset pool of £768k which are not material.</i></p>
PFA 45	6.5.5.1 u)	<p><i>Note 21</i></p> <p>b) In respect of additional voluntary contributions:</p> <ul style="list-style-type: none"> <li>- The value at the year-end date of separately invested additional voluntary contributions</li> </ul>	<p><i>The invested AVC amount is unknown. Based on the range of market value of AVCs as a proportion of net investments of 0.06% to 0.45% for the other LGPS audited by Deloitte which provide this disclosure, the amount is not expected to be material.</i></p>

# Audit insights

## IT specialist findings

Note: The IT findings below are on the Altair system which has subsequently been replaced

Observation	Year first communicated and severity	Deloitte recommendation
<b>ALTAIR</b>		
<p><b>Application user access management controls</b> There is no formal guidance in place to inform the Pension Systems team on the correct level of privileges to assign when new account created or account needs to be modified for users moving roles within the business.</p> <p>Furthermore, the leaver process does not include notification from HR to the Pension systems team for timely removal of the account. Instead the process is reliant on managers notifying the Pension systems team when access needs to be removed. This increases the risk of accounts retaining inappropriate access after the termination date of the user.</p>	<p>2020 Medium</p>	<p>We recommend that access to the application is granted in line with formally documented requirements. The level of access required by each job role should be determined and documented, so any administrator granting access knows the privileges to assign. Any modification to the access of users moving roles should be formally communicated and approved, with redundant access removed before new access is granted.</p> <p>We recommend that a formal process is documented for removing the access of leavers on Altair. This process should involve communication from HR to the Pension Systems team to notify of leavers from the business. Access should be disabled or removed in a timely manner upon receiving the HR notification.</p>
<p><b>Application user access management controls continued</b> The current process for reviewing user access to Altair only takes into consideration the employment status of the user and not the specific levels of access the user has on the system.</p> <p>Although the user base of the application is relatively small, it is important to periodically review access rights to ensure these remain appropriate for a user's job roles and responsibilities.</p> <p>Where weaknesses in user access management controls exist, there is an increased risk that users are granted or retain levels of access inappropriate for their job role and accounts belonging to leavers remain active and open to misuse.</p>	<p>2020 Medium</p>	<p>We recommend that as part of the user review process currently in place, formal documentation should be maintained and signed off by appropriate business heads, confirming that the current access in the systems does not allow users to perform conflicting actions via Altair. Furthermore, the following aspects should be taken into consideration while performing access reviews:</p> <ul style="list-style-type: none"> <li>• Access rights are provided based on Principle of Least Privilege basis. This will limit access rights for users to the bare minimum permissions they need to perform their work.</li> <li>• If access management is performed outside the IT department, ensure adequate segregation of duties and monitoring controls are in place;</li> <li>• Review roles and functions to ensure there is no conflicting access built-in with them.</li> </ul>



# Audit insights

## IT specialist findings (continued)

Observation	Year first communicated and severity	Deloitte recommendation
<b>ALTAIR</b>		
<p><b>Application privileged access control</b></p> <p>Privileged access to the Altair application has been granted to a Pension Service Manager in the business.</p> <p>Business employees with admin accounts in the system create potential segregation of duties conflict and allows the user to bypass all manual controls. Furthermore this is not in line with the council policy, which states that this level of access should be restricted to the Pension Systems team.</p>	<p>2020 High</p>	<p>We recommend that financial systems administration including access management, access to key systems configurations and change management, are managed by only an IT support team. Where privileged accounts are needed to be used by members of business teams the following steps should be followed:</p> <ul style="list-style-type: none"> <li>- A specific account should be used by the team and this should be used only on a need to do basis;</li> <li>- IT team should have ownership of all privileged accounts and should be unlocked to complete a specific task if to be shared with the team;</li> <li>- Adequate logs should be maintained and reviewed by an independent team to ensure the account was only used for specific purpose; and</li> <li>- Privileged accounts should be locked and stored in a password vault where only IT will have access.</li> </ul>
<p><b>Database authentication control</b></p> <p>Password settings enforced for end users in the database layer is determined through the profile assigned to the account. Database accounts assigned DEFAULT profile on the Oracle database resulted in lack of password verify functionality, meaning checks on password complexity and minimum length are not required. There is also no expiry or password history enforced.</p> <p>Weak authentication settings can increase the risk of accounts being susceptible to password compromising attacks.</p>	<p>2019 Medium</p>	<p>We recommend that a password verify function is added to the database, to enforce minimum length and complexity checks on all passwords.</p> <p>Where this is not possible, passwords should be suitably complex and restricted to relevant members of IT via password vaults or other secure methods.</p> <p>All database passwords should be changed on at least an annual basis.</p>

# Audit insights

## IT specialist findings (continued)

Observation	Year first communicated and severity	Deloitte recommendation
<b>ALTAIR</b>		
<p><b>Aquila Heywood - no service auditor report available</b></p> <p>Support for the Altair platform is granted by third party Aquila Heywood. No service auditor report is currently noted to be available</p>	<p>2021 Medium</p>	<p>We recommend that Aquila Heywood provide a service auditor report.</p>
<p><b>Database privileged access control</b></p> <p>Four accounts, ALTLIVE, ALTLIVE_IMG, SERVICEUSER and READONLY, have privileged access to the Oracle database and do not have the password appropriately secured via a password vault or encrypted file.</p> <p>Furthermore, the account READONLY is designed to be a read only account used for reporting, but holds database administrator privileges giving it a high level of privilege across the database.</p> <p>Where access to privileged database accounts is not restricted, there is a risk that inappropriate access can be obtained, providing the ability to directly modify the underlying data.</p>	<p>2020 Medium</p>	<p>We recommend that privileged access to the database is restricted only to users in IT who require this as part of their day to day job role.</p> <p>Passwords to privileged database accounts should be suitably complex and restricted to relevant members of IT via password vaults or other secure methods.</p> <p>The accounts on the database should be periodically reviewed on a bi-annual basis to ensure the access rights they hold are still appropriate for their current role.</p>
<p><b>Business continuity and IT disaster recover</b></p> <p>At the time of our audit, Business Continuity and Service Continuity plans were being updated, there are no up to date and tested plans at this time. The Cyber Security and ICT Continuity Management Group exists however it was not meeting at the time of our audit.</p>	<p>2021 Medium</p>	<p>Business Continuity and Service Continuity plans should be up to date and tested.</p>

# Audit insights

## DRE property specialist findings

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### Observation

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#### **BNP valuer**

BNP confirm that they have been appointed and acted as an External Valuer. The valuations have been undertaken under the overall supervision of Peter Sudell FRICS, RICS Registered Valuer. The valuation report states that Peter Sudell has been responsible for this instruction since March 2014. We would highlight that RICS guidance is for a rotation of valuer every seven years, which is within this timeframe, although for subsequent cycles we would expect to observe a change in signatory.

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#### **Norwich - Cathedral Retail Park**

Our property specialists consider the valuation is at the very upper end but just within an appropriate range. The Day 1 rent adopted includes rental income from both Toys R Us and Peacocks, despite both tenants being in administration/ceased trading and the units being vacant and no rent is being received. We would therefore consider the recognition of this income (despite the weakened capitalisation rate applied to the Toys R Us income as highlighted by the valuer) as optimistic and not in alignment with market practice.

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#### **London - 83 Clerkenwell Road**

The property is vacant and is being redeveloped. Our property specialists consider that BNP have adopted a simplistic approach to the valuation of the property with regard to the adopted cost inputs. At a high level they believe that the valuation sits within an appropriate but wider than usual tolerance.

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#### **Aberdeen – Pilgrim House, Old Ford Road**

Our property specialists consider that BNP have valued the property on an appropriate basis as at the valuation date, but due to the strength of the All Risk yield the value is towards the upper end but within an appropriate tolerance.

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#### **Crawley - Woolborough Lane Industrial Estate, Manor Royal**

#### **Swindon - Euoway Industrial Estate**

Our property specialists consider that BNP have valued the properties on an appropriate basis as at the valuation date and we believe that the valuation sits within, but towards the lower end of a reasonable range.

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#### **EPC ratings**

Under English & Welsh legislation, buildings with an EPC rating of F or G have been prevented from being re-let, with existing leases brought under the legislation from 2023. CBRE has confirmed that there is currently one asset currently below an E rating, which is Upper Floors, Charlotte House, Newcastle Upon Tyne, however they have stated that this is due to site being planned for sale and redeveloped by a new owner.

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### Deloitte recommendation

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We recommend the observations above are monitored in future years.

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