



# Employee Life Cover from B&CE

Annual report and financial statements  
for the year ended 31 March 2021

Pension scheme tax reference: 00761659RN

# 20 | 21



For people, not profit

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## Trustee Board

The following served as Directors of Building and Civil Engineering Benefits Scheme Trustee Limited (the Trustee) during the year, and up to the date of signing:



**Chandrasekhar Ramamurthy**

Independent Chairman



**John Allott**

Industry employee representative  
Nominated by Unite the Union



**Bob Blackman MBE**

Industry employee representative  
Nominated by Unite the Union



**David Booth**

Employer representative  
Nominated by Build UK  
*Resigned 1 December 2020*



**Graham Dow**

Industry employee representative  
Nominated by GMB  
*Appointed 1 December 2020*



**Kyla Farmer**

Employer representative  
Nominated by Build UK  
*Appointed 1 December 2020*



**Harry Frew**

Industry employee representative  
Nominated by Unite the Union



**James Gilmour**

Employer representative  
Nominated by Federation of Master Builders



**Keir Greenaway**

Industry employee representative  
Nominated by GMB  
*Resigned 1 December 2020*



**Vaughan Hart**

Employer representative  
Nominated by Scottish Building Federation  
*Appointed 1 December 2020*



**James O'Callaghan OBE**

Employer representative  
Nominated by Civil Engineering Contractors Association



**David Smith**

Employer representative  
Nominated by Scottish Building Federation  
*Resigned 1 December 2020*



**Jerry Swain**

Industry employee representative  
Nominated by Unite the Union



**Stephen Terrell**

Employer representative  
Nominated by National Federation of Builders

## Scheme information

### **Scheme administrator**

B&CE Financial Services Limited

### **Actuary**

David Gardiner FIA, Aon Hewitt Limited

### **Independent auditor**

KPMG LLP

### **Legal adviser**

CMS Cameron McKenna Nabarro Olswang LLP

### **Investment adviser**

Barnett Waddingham LLP

### **Investment manager**

Legal & General Investment Management Limited

### **Banker**

HSBC Bank plc

### **Name and address for enquiries**

Company Secretary's Office

Building and Civil Engineering Benefits Scheme Trustee Limited

Manor Royal

Crawley

West Sussex RH10 9QP

Email: [info@bandce.co.uk](mailto:info@bandce.co.uk)

Phone number: 0300 2000 555

Website: [www.bandce.co.uk](http://www.bandce.co.uk)

There are written agreements in place between the Trustee and third parties listed above. There is no sponsoring employer for the Employee Life Cover from B&CE Scheme as it is a multi-employer scheme.

## Trustee's report for the year ended 31 March 2021

The Trustee of Employee Life Cover from B&CE (ELC Scheme) presents its annual report for the year ended 31 March 2021.

### Scheme constitution and management

The ELC Scheme provides death benefits for employees of employers in the construction industry contributing to the ELC Scheme. The ELC Scheme is administered by B&CE Financial Services Limited (Scheme Administrator), who charges the ELC Scheme for its services.

The ELC Scheme was established by a Trust Deed on 24 September 2010. The rules are set out in a schedule to the Trust Deed. Under the Trust Deed, the Trustee was appointed as the corporate trustee.

Responsibility for setting the strategy and for managing the ELC Scheme rests with the Trustee. The persons who acted as Directors of the Trustee during the year are listed on page 1. The Trustee held 5 meetings during the year and the decisions were passed by the majority of the Directors who attended.

The B&CE Investment Committee (Investment Committee) has been established to review the performance and suitability of the investments and investment managers for all B&CE entities. The Investment Committee also makes recommendations to the Trustee on changes to investment strategies and appointing new investment managers. The Investment Committee meets at least quarterly and 3 of the 5 members of the Investment Committee were Directors of the Trustee. The remaining members of the Investment Committee are Directors of other B&CE entities.

The Directors of the Trustee are appointed by the industrial parties who participate in the operation of the ELC Scheme. The Independent Chairman is appointed by the Board of Directors and must be unconnected with any of the industrial parties. The industrial parties also have power to remove the Directors and to nominate new Directors in their place.

The industrial parties are:

Build UK	- nominating 1 Director
Civil Engineering Contractors Association	- nominating 1 Director
Federation of Master Builders	- nominating 1 Director
GMB	- nominating 1 Director
National Federation of Builders	- nominating 1 Director
Scottish Building Federation	- nominating 1 Director
Unite the Union	- nominating 4 Directors

The Directors' attendance at meetings of the Trustee Board and Investment Committee is summarised below.

Director	Trustee Board 5 meetings	Investment Committee 5 meetings
<b>J Allott</b>	5	5
<b>R Blackman</b>	5	N/A
<b>D Booth</b>	4 out of 4	N/A
<b>G Dow</b>	1 out of 1	N/A
<b>K Farmer</b>	1 out of 1	N/A
<b>H Frew</b>	5	N/A
<b>J Gilmour</b>	5	N/A
<b>K Greenaway</b>	4 out of 4	N/A
<b>V Hart</b>	1 out of 1	N/A
<b>J O'Callaghan</b>	5	5
<b>C Ramamurthy</b>	5	5
<b>D Smith</b>	4 out of 4	N/A
<b>J Swain</b>	5	N/A
<b>S Terrell</b>	5	N/A

The Directors are paid a fee and reimbursed for expenses incurred in performing their duties as Directors of the Trustee. This cost is borne by B&CE Holdings Limited.

## Trustee's report for the year ended 31 March 2021 (continued)

### Scheme constitution and management (continued)

The Trustee regularly reviews risks and conflicts to ensure that appropriate internal controls are in place and remain effective to support its governance arrangements.

The Trustee has appointed professional advisers and other organisations to support them in delivering the ELC Scheme's objectives. These individuals and organisations are listed on page 2. The Trustee has written agreements in place with each of them.

### Financial developments and financial statements

The Trustee has chosen to prepare the non-statutory financial statements included in this annual report in accordance with the principles of UK Generally Accepted Accounting Practice (see note 2 to the financial statements) and in accordance with the accounting policies set out in note 3 to the financial statements.

### Membership and benefits

On 31 March 2021 there were 116,702 members (2020: 126,883) covered by the ELC Scheme.

The ELC Scheme only pays a discretionary lump sum payment if a member dies while covered by the ELC Scheme. The ELC Scheme can make a death benefit payment if an employee dies while actively working or following a period of unemployment or incapacity. The payment is doubled if the death is a result of an accident at or travelling to or from work.

The standard level of death benefit has been £40,000 since 1 January 2019. Some employers have double or triple levels of cover which multiplies the death benefit available.

### Auditor

The incumbent auditor is deemed to be reappointed and KPMG LLP will therefore continue in office.

### Actuarial review

The Actuary carries out regular reviews of the ELC Scheme for the Trustee. Since the inception of the ELC Scheme, contributions and investment income have generally exceeded claims.

### Employers' contributions

The employer contribution rate paid to the ELC Scheme has been £1.38 per employee per week since 1 January 2019; £1.26 is allocated to securing death benefits and £0.12 covers administration costs.

### Investments

Contributions to the ELC Scheme are currently invested in a mixed investment fund and a Sterling liquidity fund managed by Legal & General Investment Management Limited (LGIM). The investment manager and their nominees have ownership and custody of the underlying investments.

After the COVID-19 market crash in March 2020, investment markets recovered strongly with risk assets rallying through 2020 and into 2021. The significant level of economic stimulus from governments and very rapid development of vaccines provided a significant boost to equity and corporate bond markets and lead to strong returns for the mixed investment fund. Due to ultra-low interest rates, the sterling liquidity fund's returns whilst positive were below inflation.

The L&G Mixed Investment 0-35% Shares Trust returned 15.55% (0.10% benchmark) over the year and 4.76% (benchmark 0.49%) annualised over the last 3 years.

The L&G Sterling Liquidity Fund returned 0.2% (0.0% benchmark) over the year and 0.6% (benchmark 0.4%) annualised over the last 3 years.

### Employer-related investments

There were no employer-related investments (2020: nil) during the year or at the year-end.

## Trustee's report for the year ended 31 March 2021 (continued)

### Further information

Enquiries about the ELC Scheme generally or about an individual's entitlement to a benefit should be made to the Trustee at the address shown on page 2.

### Statement of the Trustee's responsibilities for the financial statements

The non-statutory financial statements, which are to be prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, are the responsibility of the trustee. The Trustee has accepted responsibility to prepare and have an audit of the non-statutory financial statements for each scheme year as stated in the Trust Deed and Rules dated 24 September 2010. In preparing those non-statutory financial statements, the Trustee intends that the non-statutory financial statements should:

- show a true and fair view of the financial transactions of the ELC Scheme during the scheme year and of the amount and disposition at the end of the scheme year of the assets and liabilities, other than liabilities to pay benefits after the end of the scheme year; and
- contain the information specified in the Statement of Recommended Practice, 'Financial Reports of Pension Schemes'.

The Trustee has supervised the preparation of the non-statutory financial statements and has agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis. It has also accepted responsibility for:

- assessing the ELC Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- using the going concern basis of accounting unless it either intends to wind up the ELC Scheme, or has no realistic alternative but to do so; and
- making available each year, commonly in the form of a Trustee's annual report, information about the ELC Scheme, which it should ensure is fair and impartial.

The Trustee is responsible for keeping records of contributions received in respect of any active member of the ELC Scheme and for procuring that contributions are made to the Scheme in accordance with the trust deed and rules.

The Trustee is responsible for such internal control as it determines is necessary to enable the preparation of non-statutory financial statements that are free from material misstatement, whether due to fraud or error, and has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the ELC Scheme and to prevent and detect fraud and other irregularities.

The Trustee's report was approved by the Trustee on 27 July 2021 and signed on its behalf by:

Chandrasekhar Ramamurthy

**Director**

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27 July 2021

# Independent auditor's report to the Trustee of Employee Life Cover from B&CE

## Opinion

We have audited the non-statutory financial statements of the Employee Life Cover from B&CE ("the Scheme") Pension Scheme for the year ended 31 March 2021 which comprise the Fund Account and the Statement of Net Assets (Available for benefits) and related notes, including the accounting policies in note X. These non-statutory financial statements have been prepared for the reasons set out in note 1 to the non-statutory financial statements.

In our opinion the non-statutory financial statements:

- show a true and fair view, of the financial transactions of the Scheme during the Scheme year ended 31 March 2021 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and the terms of our engagement letter dated 22 November 2018. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Scheme in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## Going concern

The Trustee has prepared the financial statements on the going concern basis as it does not intend to wind up the Scheme, and as it has concluded that the Scheme's financial position means that this is realistic. It has also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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

Our conclusions based on this work:

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

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

## Independent auditor's report to the Trustee of the Employee Life Cover from B&CE (continued)

### Fraud and breaches of laws and regulations – ability to detect

#### *Identifying and responding to risks of material misstatement due to fraud*

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

- Enquiring of the Trustee and inspection of policy documentation, including the conflicts of interest register, as to the Scheme’s high-level policies and procedures to prevent and detect fraud, as well as enquiring whether it has knowledge of any actual, suspected or alleged fraud.
- Reading Trustee Board minutes.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that the Trustee (or its delegates including the Scheme administrator) may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because revenue in a pension Scheme relates to contributions receivable as paid under an agreed schedule or pre-determined by the Trustee; there are no subjective issues or judgements required.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted after the first draft of the financial statements have been prepared.

#### *Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

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

As the Scheme is regulated by The Pensions Regulator, our assessment of risks involved gaining an understanding of the control environment including the Scheme’s procedures for complying with regulatory requirements and reading the minutes of Trustee meetings.

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

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

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

Secondly, the Scheme is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation, or the loss of the Scheme’s registration. We identified the following areas as those most likely to have such an effect: pensions legislation and data protection legislation, recognising the financial and regulated nature of the Scheme’s activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustee and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

## Independent auditor's report to the Trustee of the Employee Life Cover from B&CE (continued)

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

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

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

### **Other information**

The Trustee is responsible for the other information, which comprises the Trustee's report and the actuarial certification of the schedule of contributions. Our opinion on the non-statutory financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our non-statutory financial statements audit work, the information therein is materially misstated or inconsistent with the non-statutory financial statements or our audit knowledge. Based solely on this work we have not identified material misstatements in the other information.

### **Trustee's responsibilities**

As explained more fully in its statement set out on page 5, the Scheme Trustee is responsible for: supervising the preparation of non-statutory financial statements which show a true and fair view; such internal control as it determines is necessary to enable the preparation of non-statutory financial statements that are free from material misstatement, whether due to fraud or error; assessing the Scheme'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 it either intends to wind up the Scheme, or has no realistic alternative but to do so.

### **Auditor's responsibilities**

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

## **Independent auditor's report to the Trustee of the Employee Life Cover from B&CE (continued)**

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

This report is made to the Scheme's Trustee in accordance with the agreed terms of our engagement and solely in connection with the requirements of the trust deed. It has been released to the Trustee, on the basis that this report shall not be copied, referred to or disclosed, in whole (save for the Trustee's own internal purposes) or in part, without our prior written consent.

This report was designed to meet the agreed requirements of the Scheme's Trustee determined by its needs at the time. This report should not therefore be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Scheme's Trustee for any purpose or in any context. Any party other than the Scheme's Trustee who obtains access to this report or a copy and chooses to rely on this report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, KPMG LLP will accept no responsibility or liability in respect of our audit work, this report, or for any opinions we have formed, to any other party.

**Gemma Broom**  
**for and on behalf of KPMG LLP**  
*Chartered Accountants*  
*London*  
*E14 5GL*  
*28 July 2021*

## Fund account for the year ended 31 March 2021

	Note	2021 £000	2020 £000
Employer contributions	4	8,784	9,260
<b>Total contributions</b>		<b>8,784</b>	<b>9,260</b>
Benefits	5	(9,113)	(9,309)
Other payments	6	(49)	(53)
Administrative expenses	7	(754)	(805)
		<b>(9,916)</b>	<b>(10,167)</b>
<b>Net withdrawals from dealings with members</b>		<b>(1,132)</b>	<b>(907)</b>
<b>Net returns on investment</b>			
Investment income	8	376	442
Increase / (decrease) in market value of investments	9	2,133	(1,111)
Investment management expense rebates	10	24	23
		<b>2,533</b>	<b>(646)</b>
<b>Net increase / (decrease) in the fund</b>		<b>1,401</b>	<b>(1,553)</b>
<b>Opening net assets</b>		<b>17,370</b>	<b>18,923</b>
<b>Closing net assets</b>		<b>18,771</b>	<b>17,370</b>

The notes on pages 12 to 18 form part of these financial statements.

**Statement of net assets available for benefits as at 31 March 2021**

	Note	2021 £000	2020 £000
<b>Investment assets</b>			
Pooled investment vehicles	9	18,421	16,265
Cash	9	749	679
<b>Total net investments</b>		<b>19,170</b>	<b>16,944</b>
Current assets	15	1,312	1,395
Current liabilities	16	(1,711)	(969)
<b>Net assets available for benefits</b>		<b>18,771</b>	<b>17,370</b>

The financial statements summarise the transactions of the ELC Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay benefits which fall due after the end of the ELC Scheme year.

The notes on pages 12 to 18 form part of these financial statements.

These financial statements were approved by the Trustee on 27 July 2021 and signed on its behalf by:

Stephen Terrell

**Director**

27 July 2021

# Notes to the financial statements for the year ended 31 March 2021

## 1. General information and identification of financial statements

Employee Life Cover from B&CE (ELC Scheme) is a death benefit only pension scheme established under English Law.

The ELC Scheme provides death benefits for operatives employed under the Building and Civil Engineering National Working Rule Agreement. The address of the ELC Scheme's registered office is Manor Royal, Crawley, West Sussex, RH10 9QP.

The ELC Scheme is a registered death benefit only pension scheme under Chapter 2, Part 4 of the Finance Act 2004. This means that contributions by employers are normally eligible for tax relief, and income and capital gains earned by the ELC Scheme receive preferential tax treatment.

## 2. Basis of preparation

These non-statutory financial statements have been prepared at the request of the Trustee in accordance with UK Generally Accepted Accounting Practice, Financial Reporting Standard 102 (FRS 102) – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council (FRS 102), the guidance set out in the Statement of Recommended Practice "Financial Reports of Pension Schemes" (Revised 2018) (SORP) and the accounting policies set out in note 3. This is chosen as the most suitable accounting framework because the ELC Scheme is a registered pension scheme as set out in note 1 above.

The ELC Scheme is exempt from the requirement to prepare statutory accounts, but the Trustee has chosen to do so as stated in the Trust Deed and Rules dated 24 September 2010.

The financial statements are prepared on a going concern basis, which the Trustees believe to be appropriate as it believes the ELC Scheme has adequate resources to meet its obligations as they fall due for at least the next 12 months from the date of approval of these financial statements.

In reaching this conclusion, the Trustee considered the ongoing impact of the COVID-19 pandemic and plausible downside scenarios which may impact the ELC Scheme. It also considered the fact the ELC Scheme has regular contributions and adequate liquidity to cover benefits as they arise without forced sale of assets that might be subject to adverse valuations.

This assessment gives the Trustee confidence to prepare the financial statements on a going concern basis.

## 3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### Currency

The ELC Scheme's functional currency and presentational currency is pounds sterling (GBP).

### Contributions

Employers' contributions to fund death benefits are collected by B&CE Holdings Limited who then pay them over to the Scheme. The contributions are recognised on an accruals basis in accordance with schedules received from employers, based on the period to which the contributions relate.

### Benefits

Lump sum death benefits are accounted for on an accruals basis on the date of notification to the ELC Scheme.

## Notes to the financial statements for the year ended 31 March 2021 (continued)

### 3. Summary of significant accounting policies (continued)

#### Administrative expenses

Expenses are accounted for on an accruals basis and are inclusive of irrecoverable VAT.

#### Investment income and expenditure

Interest on investments and deposit interest is accounted for on an accruals basis. Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the ELC Scheme such as fees, commissions, stamp duty and other fees. Other investment management expenses are accounted for on an accruals basis and shown separately within investment returns.

#### Valuation and classification of investments

Investment assets and liabilities are included in the financial statements at fair value. Where separate bid and offer prices are available, the bid price is used for investment assets and the offer price for investment liabilities. Otherwise, the closing single price, single dealing price or most recent transaction price is used.

The method of determining fair value for the principal classes of investments is:

- Unitised pooled investment vehicles which are not traded on an active market but where the manager is able to demonstrate that they are priced daily, weekly or at each month end, and are actually traded on substantially all pricing days, are included at the last price provided by the manager at or before the year end.

## Notes to the financial statements for the year ended 31 March 2021 (continued)

<b>4. Employer contributions</b>	<b>2021</b>	2020
	<b>£000</b>	£000
Employer contributions		
Normal	<u>8,784</u>	<u>9,260</u>
<b>5. Benefits</b>	<b>2021</b>	2020
	<b>£000</b>	£000
Lump sum death benefits	<u>9,113</u>	<u>9,309</u>
<b>6. Other payments</b>	<b>2021</b>	2020
	<b>£000</b>	£000
Premiums on term insurance policies	<u>49</u>	<u>53</u>
<b>7. Administrative expenses</b>	<b>2021</b>	2020
	<b>£000</b>	£000
Scheme administrator fees	741	787
Audit fees	11	11
Legal and professional fees	2	7
	<u>754</u>	<u>805</u>

The Scheme Administrator charges for the costs of administration based on £0.12 per employee per week. The ELC Scheme pays directly for other legal and professional fees.

<b>8. Investment income</b>	<b>2021</b>	2020
	<b>£000</b>	£000
Income from pooled investment vehicles	375	434
Interest on cash and cash equivalents	1	8
	<u>376</u>	<u>442</u>

### 9. Reconciliation of net investments

	Opening value	Purchases at cost	Sales proceeds	Change in market value	Closing value
	£000	£000	£000	£000	£000
<b>Pooled investment vehicles</b>	16,265	23	-	2,133	<b>18,421</b>
	<u>16,265</u>	<u>23</u>	<u>-</u>	<u>2,133</u>	<u>18,421</u>
Cash and cash equivalents	679				<b>749</b>
	<u>16,944</u>				<u>19,170</u>

## Notes to the financial statements for the year ended 31 March 2021 (continued)

<b>10. Investment management expense rebates</b>	<b>2021 £000</b>	<b>2020 £000</b>
Fees rebated by investment managers	<b>24</b>	<b>23</b>

### 11. Fair value of investments

The fair value of investments has been determined using the following hierarchy:

- Level 1: Unadjusted quoted price in an active market for identical instruments that the entity can access at the measurement date.
- Level 2: Inputs (other than quoted prices) that are observable for the instrument, either directly or indirectly.
- Level 3: Inputs are unobservable, i.e. for which market data is unavailable.

The ELC Scheme's investment assets and liabilities have been included at fair value within these categories as follows:

<b>Category</b>	<b>Level 1 £000</b>	<b>Level 2 £000</b>	<b>Level 3 £000</b>	<b>2021 Total £000</b>
<b>Investment assets</b>				
Pooled investment vehicles	-	18,421	-	18,421
Cash	749	-	-	749
<b>Total investments</b>	<b>749</b>	<b>18,421</b>	<b>-</b>	<b>19,170</b>

Analysis for the prior period end is as follows:

<b>Category</b>	<b>Level 1 £000</b>	<b>Level 2 £000</b>	<b>Level 3 £000</b>	<b>2020 Total £000</b>
<b>Investment assets</b>				
Pooled investment vehicles	-	16,265	-	16,265
Cash	679	-	-	679
<b>Total investments</b>	<b>679</b>	<b>16,265</b>	<b>-</b>	<b>16,944</b>

### 12. Pooled investment vehicles

	<b>2021 £000</b>	<b>2020 £000</b>
Mixed investment fund	<b>18,421</b>	<b>16,265</b>

# Notes to the financial statements for the year ended 31 March 2021 (continued)

## 13. Investment risks

### Types of risk relating to investments

FRS 102 requires the disclosure of information for certain investment risks.

**Credit risk:** this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

**Market risk:** this comprises currency risk, interest rate risk and other price risk.

- **Currency risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- **Interest rate risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- **Other price risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

### Investment strategy

The investment objective of the ELC Scheme is to maintain a portfolio of suitable assets of appropriate liquidity which will generate investment returns to meet, together with future contributions, the benefits of the ELC Scheme payable under the Trust Deed and Rules as they fall due. The Trustee determines the investment strategy after taking advice from a professional investment adviser.

The ELC Scheme has exposure to investment risk because of the investments it makes in following the investment strategy. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the ELC Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the ELC Scheme's investment manager and monitored by the Investment Committee and Trustee by regular reviews of the investment portfolio.

The following table summarises the extent to which the investments are affected by financial risks:

	Direct credit risk	Indirect credit risk	Indirect market risk			2021	2020
			Currency	Interest rate	Other price	£000	£000
Pooled investment vehicles	Yes	Yes	Yes	Yes	Yes	18,421	16,265
Cash and cash equivalents	Yes	Yes	No	Yes	No	749	679
<b>Total net investment</b>						<b>19,170</b>	<b>16,944</b>

### Credit risk

The ELC Scheme is subject to direct credit risk because it holds cash balances and invests in pooled investment vehicles. The ELC Scheme is also subject to indirect exposure to credit risk arising on the financial instruments held by the pooled investment vehicles.

Cash is held within financial institutions which are at least investment grade credit rated.

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager and by the regulatory environment in which the pooled manager operates. The Trustee carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitors any changes to the operating environment of the pooled investment manager.

## Notes to the financial statements for the year ended 31 March 2021 (continued)

### 13. Investment risks (continued)

#### Market risk: currency risk

The ELC Scheme is subject to currency risk because the pooled investment vehicle invests in overseas markets (indirect exposure). The ELC Scheme's liabilities are denominated in sterling and the majority of the assets in the pooled investment vehicles are denominated in currencies other than sterling. Although over the very long term the impact of this currency exposure on expected asset returns is expected to be neutral, it can lead to volatility in the short term. The ELC Scheme seeks to mitigate this by investing in assets with a diversified portfolio of currencies.

#### Market risk: interest rate risk

The ELC Scheme is subject to indirect interest rate risk because some of its investments, through the pooled investment vehicles, are held in bonds and cash. Due to the pooled nature of the fixed interest holdings in the pooled investment vehicle there is a wide exposure to bonds with differing durations, credit ratings and yields. The pooled investment vehicle also includes index-linked bonds and globally diversified equity holdings which provide further protection from interest rate changes.

#### Market risk: other price risk

Other price risk arises in relation to the ELC Scheme's holding in the pooled investment vehicles. The price risk is mitigated by the diversified nature of the pooled investment vehicles. The fund invests in a broad range of UK and overseas company shares, bonds, cash and other assets including those whose return is linked to commodities and property. In addition, the asset allocation of the fund is dynamically managed with a focus on capital preservation and management of risk.

### 14. Concentration of investments

Investments accounting for more than 5% of the net assets of the ELC Scheme were:

	<b>2021</b>		<b>2020</b>	
	<b>Value</b>	<b>%</b>	<b>Value</b>	<b>%</b>
	<b>£000</b>		<b>£000</b>	
L&G Mixed Investment 0-35% Fund	<b>18,421</b>	<b>98.1</b>	16,265	93.6
	<b>18,421</b>	<b>98.1</b>	16,265	93.6

<b>15. Current assets</b>	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Contributions due	<b>979</b>	994
Prepayments	<b>8</b>	9
Cash balances	<b>325</b>	290
Amounts owed from Building and Civil Engineering Benefits Scheme (Benefits Scheme)	<b>-</b>	102
	<b>1,312</b>	1,395

<b>16. Current liabilities</b>	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Unpaid benefits	<b>1,580</b>	633
Accrued expenses / other creditors	<b>9</b>	13
Amounts owed to Scheme Administrator	<b>122</b>	323
	<b>1,711</b>	969

## Notes to the financial statements for the year ended 2021 (continued)

### 17. Employer related investments

The ELC Scheme holds no direct or indirect employer-related investments. This position is unchanged from the previous year.

### 18. Related party transactions

The ELC Scheme has the following related party transactions:

- The ELC Scheme reimburses the Building & Civil Engineering Benefits Scheme, a related party through a common corporate trustee, for amounts paid by the Building & Civil Engineering Benefits Scheme on its behalf. The amount outstanding at the year-end was £nil (2020: £nil).
- Directors' fees and expenses are paid by B&CE Holdings Limited, a related party of the corporate Trustee of the ELC Scheme, and totalled £25k for 2021 (2020: £28k). This cost is not recharged to the ELC Scheme.
- Administration fee paid to the Scheme Administrator, whose ultimate parent company is B&CE Holdings Limited (see note 7). The amounts outstanding at the year-end are disclosed in note 16.

All balances are interest free, unsecured and repayable on demand.

### 19. Contingencies and commitments

In the opinion of the Trustee, the ELC Scheme had no contingent liabilities (2020: nil) or commitments (2020: nil) at 31 March 2021.

### 20. COVID-19

COVID-19 continues to impact a significant number of countries globally. It has caused disruption to economic activity which has been reflected in ongoing fluctuations in global stock markets and, in turn, in the valuation of Scheme assets. The Trustee has designed and implemented the Scheme's investment strategy taking a long-term view and has built in resilience to withstand short term fluctuations and will work closely with the investment adviser to assess the potential impact and adjust the Scheme's investment strategy if necessary.

For more information:

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