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London Pensions Fund Authority

Statement of Operational Accounts

For the year ended 31 March 2022

Information

Board members

John Preston (Chairman)
Rita Bajaj
Cllr. Ruth Dombey
Tamlyn Nall
Belinda Howell
Terence Jagger
Deborah Rees
Clare Scott
Christina Thompson
Dr Barbara Weber (resigned July 2021)

Chief Executive Officer

Robert Branagh

S151 Officer

Michelle King (appointed July 2021)
Abigail Leech (resigned July 2021)

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Auditor

Grant Thornton UK LLP
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Bankers

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1. Narrative Report 31 March 2022

Format of the Statement of Accounts

The primary function of the London Pensions Fund Authority (LPFA) is as an Administering Authority within the Local Government Pension Scheme.

The LPFA's Statement of Operational Accounts for the financial year ended 2021 -22 consists of:

The **Statement of Responsibilities**; and
The **Group Operational Accounts** represent the cost of the governance and administration of the pension scheme and residual liabilities and the recharge of these costs to the Pension Fund and the Residual Liabilities Accounts.

The **Group Operational Accounts** consist of:
The **Comprehensive Income and Expenditure Account** which is a summary of the resources generated and consumed by the LPFA in the year. The statement shows the accounting costs in the year of providing services in accordance with the generally accepted accounting practices. The LPFA does not raise taxation to cover expenditure;

The **Statement of Movement in Reserves** which sets out the movement in LPFA reserves from 1 April 2021 to 31 March 2022.

The **Statement of Financial Position** shows the value as at the Statement of Financial Position date of the assets and liabilities recognised by the LPFA. The net assets of the LPFA (assets less liabilities) are matched by the reserves held by the LPFA:

The **Cash Flow Statement** shows the changes in cash and cash equivalent assets of the LPFA during the reporting period. The statement shows how the LPFA generates and uses cash and cash equivalents by classifying cash flows as operating and financing activities. The overall total agrees to the Cash position shown in the Statement of Financial Position.

The **Notes to support the Accounts**.

Funding

The LPFA incurs costs in the discharge of its functions as the administering authority of the Fund. These costs are detailed in the Operational Account. In accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, the LPFA charges its costs to the Fund under its management as they are incurred.

Review of the Statements

The 2021 -22 budget is part of the Medium Term Financial Plan (MTFP). It received initial approval from the Board in December 2020 and was submitted to the Mayor of London for comment. The final budget was approved by the Board in March 2021.

1. Narrative Report 31 March 2022 continued

Operational and Governance budget

London Pensions Fund Authority (LPFA), is the largest Local Government Pension Scheme (LGPS) in London. The pension Fund had a balance sheet value of £7.6 billion, as at 31 March 2022, and is responsible for the provision of pension benefits for 92,659 members. Of these, 19,963 are employees working for not-for-profit, charity, private sector and local government employers, 29,329 are deferred members, 36,127 are pensioners and dependants, and 7,240 are undecided leavers and frozen refunds.

The Operational and Governance expenditure represents the costs incurred by the Administering Authority in discharging its functions. Operational and Governance expenditure is recharged to the Pension Fund on a monthly basis. It comprises the LPFA Board and LPFA team costs which include the IAS19 contributions made to the pension scheme.

The LPFA headcount increased to 19 full-time employees (FTE) from 11 FTEs, in 2021 -22. This follows a rationalisation of services and insourcing functions previously delivered by LPP.

Operational budget

Operational accounts	**Actual 2021-22 £'000**	**Budget 2021-22 £'000**	**Variance 2021-22 £'000**
Administration			
Pension administration services	2,235	2,235	–
Total administration costs	2,235	2,235	–
Oversight & governance			
Board	179	246	67
Office of the Chief Executive	770	811	41
Support services provided by LPPI	526	510	(16)
ALM Risk Services	178	178	–
Other support costs	1,909	2,768	859
IAS19 contributions	472	626	154
Total oversight & governance	4,034	5,139	1,105
Total operational costs	6,269	7,374	1,105
Funded by:			
Charge made to pension Fund	(3,716)	(6,817)	(3,101)
Utilisation of carried forward reserves	(1,996)	–	1,996
Recharge to residual liabilities	(557)	(557)	–
Total funding	(6,269)	(7,374)	(1,105)
Net result	–	–	–

At 31 March 2022, there was no Operational general reserve carried forward, as actual Operational costs are recharged to the Pension Fund and Residual Liabilities each month.

Overview of the year

The Operational costs for the year ended 31 March 2022 were £6,269k. These costs were funded by a charge to the Pension Fund of £3,716k, the utilisation of historical reserves of £1,996k and a recharge to Residual Liabilities of £557k.

In comparison to the MTFP budget, there is a significant underspend contributing to the reduction in the recharge to the Pension scheme compared to the budget. The operational results above includes the IAS19 contributions but excludes the IAS19 current service cost and the net interest on liabilities. The results also excludes the LPP joint venture and the actuarial surplus.

The oversight and governance costs are £1,105k (14.99%) below budget, mainly due to deferred consultancy projects totalling £749k.

The IAS19 contributions of £472k are the employer's normal and deficit contributions per the actuarial report for the year. These are the costs funded by the pension scheme. In note 12 to the accounts, the IAS19 amount recognised in the income and expenditure account of £1,424k is significantly more than anticipated, due to bringing inhouse certain support functions in September 2021. This resulted in a settlement cost, in relation to the pension scheme, of £493k and an increase in current services costs. There is a deficit of £952k on the provision of services in the income and expenditure account due to the differential between the IAS19 contributions and the IAS19 expenditure.

The LPFA Board costs were under budget by £67k due to the delay in recruiting new members. The budget also included an increase to the standard Board member fee from 1 April 2021 but the increase to the fee from £12k p.a. to £17k p.a. was implemented with effect from 1 January 2022. This is the first increase to the fee since before LPP was formed.

Service level agreements between the LPFA and LPP Group, which were operated in 2021 -22 and charged to the Operational and Governance budget are outlined in table below. The costs are also referred to in the related party note 17.

SLA Name	£'000
LPPA Administration	2,235
LPPI asset liability and Risk	178
Finance	197
Governance	54
Information technology	136
HR	80
Executive support	11
Transfer pricing	48
Total	**2,939**

These governance costs were slightly over budget due to the extension of the service from six to eight months to ensure a more thorough handover of the provision of the service back to LPFA.

Date the Statement of Accounts were authorised for issue

The Statement of Accounts were authorised for issue by the Audit and Risk Committee on 27 September 2022. Post balance sheet events have been considered up to the date the accounts were signed off by the auditor.

Further Information

Further information about these accounts is available from London Pensions Fund Authority, 2nd Floor, 169 Union Street, London SE1 0LL. In addition further information on the LPFA performance in service and corporate areas can be seen alongside a summarised version of the accounts in the LPFA Annual Report, which can be requested at the address above.

2. Statement of Responsibilities for the Statement of Accounts

LPFA's responsibilities

LPFA is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has responsibility for the administration of those affairs (the Section 151 officer).
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- Approve the Statement of Accounts

The Section 151 Officer's responsibilities

At LPFA the Section 151 Officer is responsible for:

- The preparation of the LPFA's Statement of Accounts in accordance with proper accounting practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom
- Keeping proper financial records and accounts and maintaining an effective system of financial control

In preparing this Statement of Accounts, the Section 151 Officer has:

- Selected suitable accounting policies and applied them consistently
- Made judgments that were reasonable and prudent
- Taken reasonable steps for the prevention and/or detection of fraud and/or other irregularities
- Complied with the code

Certificate of approval

I certify that the Statement of Accounts presents a true and fair view of the financial position of the LPFA at 31 March 2022 and its income and expenditure for the year ended 31 March 2022.

Michelle King, Section 151 Officer
Dated: 20 December 2022

3. Independent auditor's report to the members of the London Pensions Fund Authority

Report on the Audit of the Group Operational Account Financial Statements

Opinion on the financial statement

We have audited the Group Operational Accounts financial statements of the London Pensions Fund Authority (the Authority) and its subsidiary, the Local Pensions Partnership (the 'group') for the year ended 31 March 2022, which comprise the Group Statement of Movement in Reserves, the Entity Statement of Movement in Reserves, the Group Operational Account Comprehensive Income and Expenditure Statement, the Group Statement of Financial Position, the Group Accounts Cashflow Statement and notes to the Group Operational Accounts financial statements, including a summary of significant accounting policies 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 the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2021-22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2022 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2021-22; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. 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 group and the Authority 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 are responsible for concluding on the appropriateness of the Section 151 Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority or group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority or the group to cease to continue as a going concern.

In our evaluation of the Section 151 Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2021 -22 that the Authority and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

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

In auditing the financial statements, we have concluded that the Section 151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Section 151 Officer with respect to going concern are described in the 'Responsibilities of the Authority, the Section 151 Officer and Those Charged with Governance for the financial statements' section of this report.

3. Independent auditor's report to the members of the London Pensions Fund Authority continued

Other information

The Section 151 Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, 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 of the Authority 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.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or we make a written recommendation to the Authority under section 24 of the Local Audit and
- Accountability Act 2014 in the course of, or at the conclusion of the audit; or we make an application to the court for a declaration that an item of account is contrary to law under
- Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

3. Independent auditor's report to the members of the London Pensions Fund Authority continued

Responsibilities of the Authority, the Section 151 Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 4, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Section 151 Officer. The Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2021-22, for being satisfied that they give a true and fair view, and for such internal control as the Section 151 Officer determines 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 Section 151 Officer is responsible for assessing the Authority'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 there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit and Risk Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant ,which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2021-22, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003.
- We enquired of senior officers and the Audit and Risk Committee, concerning the group and Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit and Risk Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

3. Independent auditor's report to the members of the London Pensions Fund Authority continued

- We assessed the susceptibility of the Authority and group's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of the management override of controls. We determined that the principal risks were in relation to:
  - the journals posted by relevant officers during the course of the year, taking into account a range of different criteria to focus our testing on the most risky journals.
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Section 151 Officer has in place to prevent and detect fraud;
  - journal entry testing, with a focus with a focus on those journals that have been deemed risky via our assessment based on a range of criteria;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of its defined benefit pensions liability valuations, and the value of its investment in the Local Pensions Partnership;
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentation. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to defined benefit pensions liability valuations, and the value of its investment in the Local Pensions Partnership.
- Our assessment of the appropriateness of the collective competence and capabilities of the group and Authority's engagement team included consideration of the engagement team's and component auditor's.
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government sector
  - understanding of the legal and regulatory requirements specific to the Authority and group including:
  - the provisions of the applicable legislation
  - guidance issued by CIPFA, LASAAC and SOLACE
  - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Authority and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - The Authority and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.
- For components at which audit procedures were performed, we requested component auditors to report to us instances of non-compliance with laws and regulations that gave rise to a risk of material misstatement of the group financial statements. No such matters were identified by the component auditors.

3. Independent auditor's report to the members of the London Pensions Fund Authority continued

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2022.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

3. Independent auditor's report to the members of the London Pensions Fund Authority continued

Report on other legal and regulatory requirements – Certificate

We cannot formally conclude the audit and issue an audit certificate for the London Pensions Fund Authority for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report'

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2022.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority'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 Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ciaran McLaughlin, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

London

20 December 2022

4. Group Operational Accounts

Group Operational Account, Comprehensive Income & Expenditure Statement for the year ended to 31 March 2022

	Notes	31 March 2021 Group £'000	31 March 2021 Entity £'000	31 March 2022 Group £'000	31 March 2022 Entity £'000
Income	5	6,049	6,049	**4,273**	**4,273**
Other income	6	9	9	**28**	**28**
Expenditure	8-11	(5,663)	(5,663)	**(6,855)**	**(6,855)**
Income/(deficit) from services		395	395	**(2,554)**	**(2,554)**
IAS19 pension costs	7	(367)	(367)	**(394)**	**(394)**
Surplus/ (deficit) on provision of services		28	28	**(2,948)**	**(2,948)**
Share of (deficit) on provision of services by LPP Joint Venture	16	(1,957)	–	**(1,146)**	**–**
Group surplus/(deficit)		(1,929)	28	**(4,094)**	**(2,948)**
Tax (expense) of LPP Joint Venture	16	(615)	–	**173**	**–**
Surplus/(deficit) for the financial year		(2,544)	28	**(3,921)**	**(2,948)**
Actuarial gain/ (loss) on pension assets/liabilities	12	(4,228)	(4,228)	**5,212**	**5,212**
Share of actuarial gain/ (loss) of LPP Joint Venture	16	(6,222)	–	**4,397**	**–**
Deferred tax on actuarial Loss in LPP Joint Venture	16	305	–	**(192)**	**–**
Pension reserve deferred tax movement in LPP		(673)	–	**–**	**–**
Other comprehensive income and expenditure		(10,818)	(4,228)	**9,417**	**5,212**
Total comprehensive income and expenditure		(13,362)	(4,200)	**5,496**	**2,264**

4. Group Operational Accounts continued

Group Statement of Movement in Reserves

	Pension Reserve £'000	Total Unusable Reserves £'000	General Reserve £'000	Equity Interest in Joint Venture £'000	Total Usable Reserves £'000	Total Reserves £'000
Balance at 31 March 2021 brought forward	(18,424)	(18,424)	(11,222)	12,500	1,278	(17,146)
Deficit on provision of services	–	–	(4,094)	–	(4,094)	(4,094)
Share of Tax	–	–	173	–	173	173
Net Increase before Transfers to Earmarked Reserves	–	–	(3,921)	–	(3,921)	(3,921)
Remeasurements of the Net Defined Benefit Liability	5,212	5,212	–	–	–	5,212
Other movement – joint venture	–	–	4,205	–	4,205	4,205
Movement in year	(952)	(952)	952	–	952	–
Increase in year	4,260	4,260	1,236	–	1,236	5,496
Balance at 31 March 2022 carried forward	(14,164)	(14,164)	(9,986)	12,500	2,514	(11,650)

Group Statement of Movement in Reserves

	Pension Reserve £'000	Total Unusable Reserves £'000	General Reserve £'000	Equity Interest in Joint Venture £'000	Total Usable Reserves £'000	Total Reserves £'000
Balance at 31 March 2020 brought forward	(13,833)	(13,833)	(2,451)	12,500	10,049	(3,784)
Deficit on provision of services	–	–	(1,929)	–	(1,929)	(1,929)
Share of Tax	–	–	(615)	–	(615)	(615)
Net Increase before Transfers to Earmarked Reserves	–	–	(2,544)	–	(2,544)	(2,544)
Remeasurements of the Net Defined Benefit Liability	(4,228)	(4,228)	–	–	–	(4,228)
Other movement – joint venture	–	–	(6,590)	–	(6,590)	(6,590)
Movement in year	(363)	(363)	363	–	363	–
(Decrease) in year	(4,591)	(4,591)	(8,771)	–	(8,771)	(13,362)
Balance at 31 March 2021 carried forward	(18,424)	(18,424)	(11,222)	12,500	1,278	(17,146)

4. Group Operational Accounts continued

Entity Statement of Movement in Reserves

	Pension Reserve £'000	Total Unusable Reserves £'000	General Reserve £'000	Total Usable Reserves £'000	Total Reserves £'000
Balance at 31 March 2021 brought forward	**(18,424)**	**(18,424)**	**1,996**	**1,996**	**(16,428)**
Deficit on provision of services	**–**	**–**	**(2,948)**	**(2,948)**	**(2,948)**
Net Increase before Transfers to Earmarked Reserves	**–**	**–**	**(2,948)**	**(2,948)**	**(2,948)**
Remeasurements of the Net Defined Benefit Liability	**5,212**	**5,212**	**–**	**–**	**5,212**
Movement in year	**(952)**	**(952)**	**952**	**952**	**–**
Increase/(decrease) in year	**4,260**	**4,260**	**(1,996)**	**(1,996)**	**2,264**
Balance at 31 March 2022 carried forward	**(14,164)**	**(14,164)**	**–**	**–**	**(14,164)**

Entity Statement of Movement in Reserves

	Pension Reserve £'000	Total Unusable Reserves £'000	General Reserve £'000	Total Usable Reserves £'000	Total Reserves £'000
Balance at 31 March 2020 brought forward	(13,833)	(13,833)	1,605	1,605	(12,228)
Surplus on provision of services	–	–	28	28	28
Net Increase before Transfers to Earmarked Reserves	–	–	28	28	28
Remeasurements of the Net Defined Benefit Liability	(4,228)	(4,228)	–	–	(4,228)
Movement in year	(363)	(363)	363	363	–
Increase/(decrease) in year	(4,591)	(4,591)	391	391	(4,200)
Balance at 31 March 2021 carried forward	(18,424)	(18,424)	1,996	1,996	(16,428)

4. Group Operational Accounts continued

Group Statement of Financial Position as at 31 March 2022

	Notes	31 March 2021 Group £'000	31 March 2021 Entity £'000	31 March 2022 Group £'000	31 March 2022 Entity £'000
Intangible fixed assets	14	–	–	**56**	**56**
Property, plant & equipment	15	3	3	**5**	**5**
Investment in Joint Venture	16	–	–	**2,514**	**–**
Non-current assets		3	3	**2,575**	**61**
Debtors	18	1,084	1,084	**870**	**870**
Cash and cash equivalents	20	1,881	1,881	**46**	**46**
Current assets		2,965	2,965	**916**	**916**
Creditors	19	(972)	(972)	**(977)**	**(977)**
Net current assets/ (liabilities)		1,993	1,993	**(61)**	**(61)**
Total assets less current liabilities		1,996	1,996	**2,514**	**–**
Pension liability	12	(18,424)	(18,424)	**(14,164)**	**(14,164)**
Investment in Joint Venture	16	(718)	–	**–**	**–**
Net liabilities		(17,146)	(16,428)	**(11,650)**	**(14,164)**
Reserves					
General Reserve		(11,222)	1,996	**(9,986)**	**–**
Non-voting equity Interest in Joint Venture		12,500	–	**12,500**	**–**
Pension reserve		(18,424)	(18,424)	**(14,164)**	**(14,164)**
		(17,146)	(16,428)	**(11,650)**	**(14,164)**

4. Group Operational Accounts continued

Group Account Cashflow Statement for the year ended 31 March 2022

	Notes	31 March 2021 Group £'000	31 March 2021 Entity £'000	31 March 2022 Group £'000	31 March 2022 Entity £'000
Net surplus/(deficit) on the provision of services		(2,544)	28	**(3,921)**	**(2,948)**
Adjustments to net surplus/(deficit) on the provision of services for non-cash movements	13	1,969	(603)	**2,154**	**1,181**
Net cash flows from Operating Activities		(575)	(575)	**(1,767)**	**(1,767)**
Fixed asset additions	14 & 15	–	–	**(68)**	**(68)**
Proceeds from Disposal of fixed assets		(3)	(3)	**–**	**–**
Net increase or (decrease) in cash and cash equivalents		(578)	(578)	**(1,835)**	**(1,835)**
Cash and cash equivalents at the beginning of the reporting period	20	2,459	2,459	**1,881**	**1,881**
Cash and cash equivalents at the end of the reporting period		1,881	1,881	**46**	**46**

The table above includes prior year rounding differences that have been now corrected.

5. Notes to the Group Operational Accounts

General information

The operational costs incurred by LPFA in administering the pension Fund, residual liabilities fund and agency contracts are accumulated in the operational accounts and are reimbursed from the respective source.

1. Summary of significant accounting policies

General Principles

The Statement of Accounts summarises LPFA's transactions for the 2021 -22 financial year and its position at year-end of 31 March 2022. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021 -22 based upon International Financial Reporting Standards (IFRS).

The accounting convention adopted is historical cost.

The financial statements and accounts have been prepared on a going concern basis.

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

Fees and charges are accounted for as income at the date LPFA provides the relevant services.

Supplies are recorded as expenditure when they are consumed.

Where income or expenditure has been recognised but cash has not been received or paid, a receivable or payable for the relevant amount is recorded in the statement of financial position. Where it is doubtful that debts will be settled, the balance of receivables is written down and a charge is made to revenue for the income that might not be collected.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand and demand deposits, together with short term, highly liquid investments that are readily convertible to a known amount of cash, and that are subject to an insignificant risk of change in value. An investment normally meets the definition of a cash equivalent when it has a maturity of three months or less from the date of acquisition. Bank overdrafts which are repayable on demand and which form an integral part of an entity's cash management are also included as a component of cash and cash equivalents.

Cash balances not required for immediate use are invested in accordance with LPFA's Treasury Management Strategy. Interest earned on LPFA's balances is credited to the Comprehensive Income and Expenditure Statement during the year and appropriate accruals are made at year-end.

Employee Benefits

Benefits payable during employment

Employee benefits are those due to be settled in the financial year. They include salaries, bonuses, paid annual leave and paid sick leave for employees and are recognised as an expense in the year in which the employee renders services to LPFA

Post-employment benefits

LPFA participates in the Local Government Pension Scheme (LGPS) administered by the LPFA. This is a funded, defined benefit scheme. Employees' and employers' contributions are paid in to the LGPS. Employers' contribution rates are advised by the LPFA Fund's Actuary, Barnett Waddingham. The pension liabilities of the LPFA are included on the statement of financial position on an actuarial basis i.e. an assessment of the future payments (retirement benefits) based on assumptions made by the Actuary about mortality rates, employee turnover rates etc. and projections of earnings for current employees.

The financial statements disclose the cost of providing retirement benefits and related gains, losses, assets and liabilities under IAS 19. In line with directions from Government, future pensions liabilities are now measured using the Consumer Prices Index. The Code of Practice requires the net pensions asset or liability be matched by a pensions reserve in the statement of financial position.

5. Notes to the Group Operational Accounts continued

The movement in the defined benefit obligation is analysed into the following components:

- Service cost: the increase in the present value of a defined benefit obligation (liabilities) resulting from employee service in the current period.
- Interest cost: the change during the period in the defined benefit liability that arises from the passage of time.
- Change in financial assumptions: changes in the present value of the defined benefit obligation resulting from a change in financial assumptions made by the actuary;
- Change in demographic assumptions: changes in the present value of the defined benefit obligation resulting from a change in demographic assumptions made by the Actuary;
- Experience loss/(gain) on defined benefit obligation: changes in the present value of the defined benefit obligation resulting from the effects of the differences between the previous actuarial assumptions and what has actually occurred;
- Estimated benefits paid (net of transfers in): Payments to discharge liabilities directly to pensioners;
- Contributions by scheme participants: the increase in scheme liabilities and assets due to payments made into the scheme by employees (where increased contribution increases pensions due to the employee in the future).

Post Statement of Financial Position Events

These are events that occur between the end of the reporting period and the date the Statement of Accounts is published. Events taking place after the date of publication are not reflected in the Statement of Accounts. There are two types of event possible:

Adjusting – Those events that are evidence of conditions that existed at the statement of financial position date; if these are material the statements and notes are adjusted to reflect their impact.

Non-adjusting – Those events that are indicative of conditions that arose after the statement of financial position date, the financial statements and notes are not adjusted for the impact of such events but additional explanatory notes would be provided.

Provisions

Provisions in accordance with IAS 37 are made where an event has taken place that gives LPFA an obligation that probably requires settlement by transfer of economic benefits, but where the timing of the transfer is uncertain.

Provisions are charged to the comprehensive income and expenditure statement in the year that LPFA becomes aware of the obligation, based on the best estimate of the likely settlement but discounted to the present value. When payments are eventually made they are charged directly to the provision set up on the statement of financial position. Estimated settlements are reviewed at the end of each financial year and the provision increased or reversed back to the revenue account if it becomes more likely than not that a transfer of benefits will not be made or a lower settlement than anticipated could be made.

Contingent Liabilities

Contingent liabilities arise where an event has taken place that gives LPFA a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of LPFA. These are not recognised as liabilities in the accounts but disclosed in the financial statements where it is probable that an outflow of economic benefit to settle the obligation is more than remote.

Value Added Tax

LPFA is VAT registered, so all income and expenditure amounts exclude VAT, with the exception of where VAT is not fully recoverable.

5. Notes to the Group Operational Accounts continued

Financial Assets/ Liabilities

Financial assets are included in the statement of financial position on a fair value basis as at the reporting date in accordance with IFRS 9. The asset is recognised in the statement of financial position on the date the entity becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value are recognised by the entity in the profit and loss account.

Financial Assets/Liabilities represents transactions, with a contract, that result in a financial asset for one entity and a financial liability for another.

Financial assets are recognised by LPFA on the statement of financial position, initially at their fair value, only when goods or services have been provided or rendered to a third party.

Financial liabilities are recognised, initially at their fair value, when the goods or services ordered from a third party have been received by LPFA and the third party has performed its contractual obligations.

Joint Venture

The London Pensions Authority has a joint venture, Local Pensions Partnership (LPP), with the Lancashire County Pension Fund. This was established on 8 April 2016. It is owned in equal shares by London Pension Fund Authority (LPFA) and the Lancashire County Council and the LPP manages the administration and investment functions on behalf of the two funds.

In the accounts of the entity, the value of the investment in LPP is disclosed at cost, being £nil. The cost of acquisition was £nil as LPP was acquired as a start up.

Group Accounts have been included recognising the LPFA's significant interest in the LPP. As a Joint Venture, the LPP is consolidated into the Fund's Group Accounts using the equity method.

Reserves

LPFA sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the General Fund Balance in the Movement on Reserves Statement. Where expenditure to be financed from a reserve is incurred, it is charged to the Comprehensive Income and Expenditure Statement and the reserve is then applied to offset this charge.

General Reserve

The General Reserve is a usable reserve. During the year all current Operational reserves are recharged to the Pension Fund and Residual Liabilities, therefore there is no balance on the reserve at the reporting date.

Pension Reserve

The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions.

Non-Voting Equity Interest in Joint Venture

The non-voting equity interest are the non-voting ordinary shares owned by the LPFA Pension Fund in the LPP. The LPP is included as a joint venture in the Operational Group Accounts.

2. Accounting standards issued, but not yet adopted

There are no relevant standards that have been issued but not adopted during the year.

3. Financial Risk Management

There is a robust budget setting process in place that includes: strategic business direction set by the Board, budget challenge by both Officers and the Audit and Risk Committee prior to the draft budget being presented to Board for its initial comment and approval prior to dispatch to the Mayor of London for formal consultation. Subsequently a revised budget paper, including comments and other changes is presented back to Board for final approval. The budget contains both income and expenditure based on assumptions. During the course of the year, actual events may not accurately reflect the assumptions allowed for in the budget, and more accurate forecasts are made on a monthly basis as part of the budget monitoring arrangements.

4. Critical Accounting Judgements and Estimates

Estimates

Pensions Liability

Estimation of the net liability to pay pensions depend on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries are engaged to provide LPFA 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. The impact of the changes in key assumptions is set out in note 12.

Judgements

Pensions Liability Guarantee

The LPFA has provided a guarantee, under the Admission Agreements, to settle the LPP and LPPI pension deficits in the event of both entities ceasing to trade and exiting the LGPS. To determine how this guarantee is treated within the LPFA financial statements requires several judgements to be made regarding the balance between financial risks such as the discount rate and non financial risks from such things as changes in life expectancy or final salaries of members. The non-financial risks falls within the definition of an insurance contract under IFRS 4. As the financial and non-financial risks are both significant, the guarantee has not been deemed to be a derivative under IAS 39. IAS 37 excludes obligations and contingencies arising from insurance contracts, but it does apply to other provisions, contingent liabilities and contingent assets of an insurer. The LPFA Admissions Agreement states that LPFA is providing a guarantee if LPP exits the LGPS. In such an event LPFA would suffer a loss equivalent to the amount required to settle the pensions liability. After consideration of IAS 28 and IAS 37, the possible liability to settle the pension deficit within LPP should not be disclosed in LPFA financial statements, as a contingent liability in accordance with IAS 37 due to the very low probability of a cessation event triggering the LPFA guarantee.

Joint Venture

The LPFA has to make a judgement regarding the level of control exercised over LPP and whether it is a joint operation or a joint venture to determine whether it is eligible to treat it as a joint venture under IFRS 11. The judgement in defining LPP as a Joint Venture is reached due to LPP being an arrangement under which two (or more) parties have contractually agreed to share control, such that decisions about activities that significantly affect returns require the unanimous consent of the parties sharing control, and the two entities have rights to the net assets of the arrangement. As a joint operation the LPFA would have rights to the assets and obligations relating to the liabilities of LPP, whereas as a joint venture it has rights to a proportion of the net assets of the entity. The LPFA have determined that the arrangement is that of a joint venture as the entities who share in the control have a right to 50% of the net assets. This remains the case at the reporting date.

5. Income

	2020-21 £'000	2021-22 £'000
Management Fee	5,476	**3,716**
Funded by Residual Liabilities	573	**557**
	6,049	**4,273**

The Operational costs for the year ended 31 March 2022 were £6,269k. These costs were funded by a charge to the Pension Fund of £3,716k, the utilisation of historical reserves of £1,996k and a recharge to Residual Liabilities of £557k.

6. Other Income

	2020-21 £'000	2021-22 £'000
Agency work	2	**–**
Recharged staff costs on employer projects	7	**28**
	9	**28**

5. Notes to the Group Operational Accounts continued

7. IAS19 Pension Costs

	2020-21 £'000	2021-22 £'000
IAS19 admin & net interest costs	367	**394**
	367	**394**

8a. Remuneration and other costs – Board members

	2020-21 £'000	2021-22 £'000
Emoluments	139	**163**
Employers NI contributions	10	**11**
Training	–	**5**
Reimbursable Expenses	1	**–**
	149	**179**

8b. Remuneration was paid to the Board in the following bands:

	2020-21	2021-22
Up to £10,000	1	**1**
£10,001 to £20,000	6	**8**
£50,001 to £60,000	1	**1**

9. Remuneration and other costs – employees

	2020-21 £'000	2021-22 £'000
Salaries	776	**1,197**
Employers NI contributions	94	**146**
Reimbursable Expenses	(2)	**9**
IAS 19 Current service costs	382	**1,030**
Temporary staff	54	**143**
Training costs	4	**9**
Recruitment costs	7	**49**
Other employee related costs	4	**2**
	1,319	**2,585**

9a. Disclosure of remuneration for senior employees

The following table sets out the remuneration disclosures for Senior Officers whose salary is greater than £50,000 per year.

31 March 2022 Post Holder	Salary £'000	Bonus £'000	Total remuneration £'000	Pension contributions £'000	Total £'000
Robert Branagh – Chief Executive Officer	**151,500**	**30,300**	**181,800**	**21,780**	**203,580**
Chief Legal and Compliance Director	**116,150**	**–**	**116,150**	**13,938**	**130,088**
Funding and Risk Director	**106,050**	**10,000**	**116,050**	**15,246**	**131,296**
Finance Director/ SI51 Officer	**84,000**	**15,750**	**99,750**	**10,080**	**109,830**
Chief of Staff	**75,467**	**10,380**	**85,847**	**9,854**	**95,701**

31 March 2021 Post Holder	Salary £'000	Bonus £'000	Total remuneration £'000	Pension contributions £'000	Total £'000
Robert Branagh – Chief Executive Officer	150,438	30,000	180,438	21,168	201,606
Funding and Risk Director	105,000	21,000	126,000	15,120	141,120
Commercial and Finance Director	92,930	12,000	104,930	12,352	117,282
Chief Legal and Compliance Director	86,250	–	86,250	10,350	96,600
Head of Communications and Engagement	71,890	6,500	78,390	9,327	87,717

The number of other senior employees whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 as follows:

	2020-21	2021-22
£50,001 – £55,000	–	**2**
£60,001 – £65,000	–	**2**
£70,001 – £75,000	1	**–**
£75,001 – £80,000	1	**1**
£85,001 – £90,000	1	**1**
£95,001 – £100,000	–	**1**
£100,001 – £105,000	1	**–**
£115,001 – £120,000	–	**2**
£125,001 – £130,000	1	**–**
£180,001 – £185,000	1	**1**

Please note that the above includes bonus payments for the respective financial periods.

5. Notes to the Group Operational Accounts continued

10. Other services

	2020-21 £'000	2021-22 £'000
Internal audit	85	**130**
External audit (see note 11)	120	**78**
Professional fees (including consultancy)	274	**185**
Insurance	32	**30**
Bank costs	8	**10**
Members' forum and meetings	18	**33**
Marketing expenses	7	**58**
Other miscellaneous services	32	**8**
Accommodation	78	**234**
Repairs and renewals	–	**20**
IT Support•	32	**173**
Pension admin expenses	–	**92**
HR Services	–	**27**
Equipment and external support	27	**12**
Printing and stationary	3	**1**
Communication	–	**1**
Subscriptions & publications	66	**90**
Bad debt provision	(24)	**106**
Management Charge – LPPA Pension Admin support	2,082	**2,235**
Management Charges – LPPI Operational support	1,350	**568**
General management charge	5	**–**
	4,195	**4,091**

* The IT Support costs from LPPI in the prior year have been reclassified from Management charges - LPPI Operational support to IT Support

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11. Disclosure of Audit Costs

	2020-21 £'000	2021-22 £'000
External audit – Code of audit practice	77	**78**
Other external audit costs	43	**–**
	120	**78**

Fees are also payable to the external auditors in relation to the certification of the data used to calculate the IAS19 disclosures for participating employers. The fee is expected to be £34.5k (2021 - £30k). These fees are recharged to the employer so the net cost to LPFA is £nil.

5. Notes to the Group Operational Accounts continued

12. Retirement Benefit Obligations

	2020-21 £'000	2021-22 £'000
Fair value of plan assets	24,640	**28,591**
Defined benefit obligations	(43,064)	**(42,755)**
Net defined benefit liability	(18,424)	**(14,164)**

Reconciliation of the opening and closing balance of the present value of the defined benefit obligation.

	2020-21 £'000	2021-22 £'000
At 1 April	35,811	**43,064**
Current service cost	319	**532**
Interest expense	774	**799**
Change in financial assumptions	8,294	**(1,931)**
Change in demographic assumptions	(366)	**–**
Experience loss/(gain) on defined benefit obligation	(564)	**102**
Liabilities assumed extinguished	80	**937**
Estimated benefits paid (net of transfers in)	(1,363)	**(848)**
Contributions by scheme participants	79	**100**
Closing defined benefit obligations	43,064	**42,755**

The movement in the fair value of plan assets over the period is as follows:

	2020-21 £'000	2021-22 £'000
At 1 April	21,978	**24,640**
Interest income	436	**437**
Return on assets less interest	3,136	**3,390**
Other actuarial gains/(losses)	–	**(7)**
Admin expenses	(29)	**(32)**
Contributions by employer including unfunded	386	**472**
Contributions by scheme participants and other employers	79	**100**
Estimated benefits paid including unfunded net of transfers in	(1,363)	**(848)**
Settlement prices received/(paid)	17	**439**
Closing fair value of plan assets	24,640	**28,591**

5. Notes to the Group Operational Accounts continued

12. Retirement Benefit Obligations continued

Amounts recognised in Group Operational Account:

	2020-21 £'000	2021-22 £'000
Service cost	382	**1,030**
Net interest on the defined benefit liability	338	**362**
Admin expenses	29	**32**
Total operating charge	749	**1,424**

Amounts recognised in the Statement of Other Comprehensive Income and Expenditure:

	2020-21 £'000	2021-22 £'000
Return on plan assets in excess of interest	3,136	**3,390**
Other actuarial gains/(losses) on assets	–	**(7)**
Change in financial assumptions	(8,294)	**1,931**
Change in demographic assumptions	366	**–**
Experience gain/(loss) on defined benefit obligation	564	**(102)**
Re-measurements of net defined benefit liability	(4,228)	**5,212**

The movement in the defined benefit liability:

	2020-21 £'000	2021-22 £'000
At 1 April	(13,833)	**(18,424)**
Service cost	(382)	**(1,030)**
Contributions by employer including unfunded	386	**472**
Interest costs	(338)	**(362)**
Return on plan assets in excess of interest	3,136	**3,390**
Admin expenses	(29)	**(32)**
Actuarial gains/losses	(7,364)	**1,822**
Net defined benefit liability	(18,424)	**(14,164)**

5. Notes to the Group Operational Accounts continued

12. Retirement Benefit Obligations continued

The principle actuarial assumptions were as follows:

Life Expectancy	**31-Mar-21 Years**	**31-Mar-22 Years**
Mortality rate for 65 year olds – retiring today		
Males	22.5	**22.6**
Females	24.0	**24.1**
Mortality rate for 65 year olds – retiring in 20 years time		
Males	23.1	**23.1**
Females	25.8	**25.9**

Post retirement mortality	**31-Mar-21**	**31-Mar-22**
Base table	CV2019	**CV2019**
Multiplier (M/F)	1	**1**
Future improvements model	CMI_2020	**CMI_2020**
Long-term rate of improvement	1.25% p.a.	**1.25% p.a.**
Smoothing parameter	7	**7**
Initial addition parameter	0.5% p.a.	**0.5% p.a.**
2020 weighted parameter	25%	**25%**

The following assumptions were also made:

- Members will exchange half of their commutable pension for cash at retirement.
- The proportion of the membership that had taken up the option under the new LGPS to pay 50% of contributions for 50% of benefits at the previous valuation date will remain the same.

	31-Mar-22 %p.a.	**31-Mar-21 %p.a.**	**31-Mar-20 %p.a.**
CPI Increases	**3.20**	2.80	1.90
Salary Increases	**4.20**	3.80	2.90
Pension Increases	**3.20**	2.80	1.90
Discount Rate	**2.60**	2.00	2.35

12. Retirement Benefit Obligations continued

31-Mar-22	£'000	£'000	£'000
Adjustment to discount rate	0.10%	0.00%	-0.10%
Present Value of Total Obligation	41,977	42,755	43,548
Projected Service Cost	482	498	515
Adjustment to long term salary increase	0.10%	0.00%	-0.10%
Present Value of Total Obligation	42,757	42,755	42,753
Projected Service Cost	499	498	498
Adjustment to pension increases and deferred revaluation	0.10%	0.00%	-0.10%
Present Value of Total Obligation	43,541	42,755	41,982
Projected Service Cost	515	498	482
Adjustment to mortality age rating assumption	+1 year	None	-1 year
Present Value of Total Obligation	44,742	42,755	40,859
Projected Service Cost	522	498	476

Contributions to the Pension Fund during 2021-22

Contributions from the employer amounted to £472k (2021 - £386k)

Impact on Authority's Cash flows

The authority expects to pay reduced contributions in 2022-23 of £453k.

The Past service duration of the defined benefit obligation for scheme members is 19 years.

12. Retirement Benefit Obligations continued

As at date of the last asset breakdown report pension scheme assets comprised:

		31-Mar-22	
Asset Breakdown		**% Quoted**	**% Unquoted**
Equities			
	Segregated:		
	Real Estate	1%	–
	Consumer Discretionary	4%	–
	Consumer Staples	8%	–
	Energy	0%	–
	Financials	6%	–
	Health Care	4%	–
	Industrials	6%	–
	Information Technology	13%	–
	Materials	1%	–
	Communication Services	2%	–
	Utilities	0%	–
	Fixed Income & Other	1%	–
	Trade Cash/ Pending	2%	–
Private Equity		–	9%
Fixed Income		3%	
Total return	Investment/ Hedge Funds and Unit Trusts	11%	
Credit		–	8%
Infrastructure		–	10%
Real Estate		–	9%
Cash			
Cash		2%	–
Managed funds		0%	–
Currency Hedge (Forward Contracts)		–	0%
BlackRock DDG		0%	–
Total		**64%**	**36%**

12. Retirement Benefit Obligations continued

Employee Benefits

All LPFA staff are members of the Local Government Pension Scheme (LGPS) as at 31 March 2022. 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 of their rate of pay. The LPFA, as the employing body, also contributes in to the scheme on the employee's behalf at 12.0% of the employee's salary.

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses for current employees and are recognised as an expense for services in the year in which employees render service to LPFA.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by LPFA to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Cost of Services line in the Comprehensive Income and Expenditure Statement at the earlier of when LPFA can no longer withdraw the offer or when the authority recognises costs for a restructuring under IAS37. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by LPFA to the pension Fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension Fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

Employees of LPFA are members of the LGPS, administered by the LPFA. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for LPFA.

The Local Government Pension Scheme

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

Discretionary Benefits

LPFA also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

5. Notes to the Group Operational Accounts continued

13. Adjustment for Non-Cash Items

	2020 -21 Group £'000	2020 -21 Entity £'000	2021 -22 Group £'000	2021 -22 Entity £'000
Depreciation	–	–	**2**	**2**
Amortisation of intangibles	–	–	**8**	**8**
Reverse share of profit/ loss in joint venture	2,572	–	**973**	**–**
Decrease/(increase) in receivables	(546)	(546)	**214**	**214**
Increase/(decrease) in payables	(420)	(420)	**5**	**5**
Transfer to pension reserve	363	363	**952**	**952**
Balance at 31 March	1,969	(603)	**2,154**	**1,181**

14. Intangible Fixed asset

	Software £'000
Cost at 01-04-21	**–**
Additions	**64**
Balance as at 31-03-22	**64**
Amortisation at 01-04-21	**–**
Charge in the year	**(8)**
Balance at 31-03-22	**(8)**
Net book value 31-03-22	**56**

15. Tangible Fixed asset

	Fixtures & Fittings £'000	IT Equipment £'000	Total £'000
Cost at 01-04-21	–	3	3
Additions	4	–	4
Balance as at 31-03-22	4	3	7
Depreciation at 01-04-21	–	–	–
Charge in the year	(1)	(1)	(2)
Balance at 31-03-22	(1)	(1)	(2)
Net book value 31-03-22	3	2	5
Net book value 31-03-21	–	3	3

5. Notes to the Group Operational Accounts continued

16. Net investment in joint venture

LPFA entered into a joint venture with Lancashire County Council and incorporated Local Pensions Partnership Ltd (LPP) and its subsidiaries on 19 October 2015. The objective of LPP is to provide high quality, low cost pension administration, risk management and investment management services to London Pension Fund Authority (LPFA), Lancashire County Pension Fund and other LGPS clients.

The joint venture has been equity accounted and LPFA's fifty percent share of LPP's results are included, in the Group Comprehensive Income and Expenditure Statement and in the Balance Sheet. The results of the LPP Group are as follows:

	50% Share of LPP 2020-21 £'000	LPP Group 2020-21 £'000	50% Share of LPP 2021-22 £'000	LPP Group 2021-22 £'000
Comprehensive Income and Expenditure Statement:				
Profit/ (loss) on ordinary activities before taxation	(1,957)	(3,913)	**(1,146)**	**(2,292)**
Taxation	(615)	(1,230)	**173**	**346**
Net actuarial gain/ (loss) on defined benefit pension schemes	(6,222)	(12,444)	**4,397**	**8,794**
Deferred tax on actuarial loss	305	610	**(192)**	**(384)**
Pension reserve deferred tax movement in LPP	(673)	(1,346)	**–**	**–**
Total Comprehensive income for the period	(9,162)	(18,323)	**3,232**	**6,464**
Balance Sheet:				
Net assets	17,812	35,623	**18,814**	**37,629**
Post-employment benefits	(18,530)	(37,059)	**(16,300)**	**(32,601)**
Net liabilities	(718)	(1,436)	**2,514**	**5,028**
Represented by:				
Called up share capital	12,500	25,000	**12,500**	**25,000**
Profit & loss account	(3,432)	(6,864)	**(316)**	**(632)**
Retirement benefit obligations reserve	(9,786)	(19,572)	**(9,670)**	**(19,340)**
Net value	(718)	(1,436)	**2,514**	**5,028**

17. Related Party Transactions

This disclosure note has been produced using a specific declaration obtained in respect of related party transactions. Agency contracts and pension funds are related parties. LPFA Pension Fund, Residual Liabilities and the Greater London Authority are related parties. LPFA Operational accounts includes income for Administration and Governance services charged to the LPFA Pension Fund and Residual Liabilities, being 3,716k and £557k respectively (2021 - £5,476k and £573k respectively).

LPP and its subsidiaries are also related parties, details of which are in note 16. LPP invoiced £2,939k (2021 - £3,464k) for Administration and Oversight and Governance.

18. Debtors

	2020-21 £'000	2021-22 £'000
Amounts due from LPFA Pension Fund	–	**186**
Sundry Debtors	687	**450**
Prepayments	37	**74**
VAT	362	**266**
Allowance for credit losses	(2)	**(106)**
	1,084	**870**

19. Creditors

	2020-21 £'000	2021-22 £'000
Amounts payable to Residual Liabilities	–	**44**
Other Taxes	37	**54**
Sundry Creditors	935	**879**
	972	**977**

20. Cash and cash equivalents

	2020-21 £'000	2021-22 £'000
Cash at bank	1,881	**46**

21. Financial Instruments

The Operational account only holds cash as mentioned in note 20 above as well as payables and receivables, these are covered in notes 18 and 19.

The carrying value is equivalent to the fair value of the assets.

22. Post Balance Sheet events

There were no material events after the balance sheet signing date.