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London Pensions Fund Authority

Statement of Residual Liabilities 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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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 Residual Liabilities Accounts for the financial year 2021-22 consists of:

The **Statement of Responsibilities**;
The **Residual Liabilities Accounts** detail the provisions created to settle the liabilities of the Greater London Council (GLC) to pay past employees of the GLC and Inner London Educational authority ('ILEA') who have become injured due to exposure to asbestos. The past employees are paid via the pensions payroll and the costs are then recharged to the Residual accounts, which funds these costs via a levy.

The **Residual Liabilities 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** which sets out the financial position of the LPFA at 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

Any costs, charges and expenses incurred in administering the Residual Liabilities are met by the Levy on the Greater London and Inner London authorities.

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

Residual Liabilities budget

LPFA is responsible for compensation payments in respect of former Greater London Council (GLC), Inner London Education Authority (ILEA) and London Residual Body (LRB) staff. These payments are not chargeable to the pension Fund and are recovered by a levy on London boroughs. These budgets contain significant uncertainties in the form of injury claims for asbestosis, dating back to the GLC and ILEA. The LPFA has established a significant provision for known and expected claims, the costs of which will be met through the levy on London boroughs.

Greater London

The budgeted levy requirement in 2021-22 was £10.3m. Pension costs were lower than expected. This has been reduced by the offset of a £3.4m release from the asbestosis provision due to a reduced estimate of future claims. The draw down on the asbestosis provision was less than budget. However it remains extremely difficult to forecast the sums likely to be paid, both in year and over the longer term, on dealing with asbestosis claims. The LPFA has engaged an expert advisor to support the management of claims as they are submitted, and to agree estimates of future claims.

Greater London Levy	Actual £'000	Budget £'000	Variance £'000
Pension Retirement Costs	(1,784)	(5,497)	3,713
Management Expenses	(237)	(237)	–
Asbestosis Provision (known cases + direct costs)	(1,126)	(2,143)	1,017
Interest Payable and Receivable	217	326	(109)
Levy	10,318	10,318	–
Net inflow to Balances	**7,388**	**2,767**	**4,621**

Inner London

The budgeted levy requirement in 2021-22 was £13.1m. The budgeted pension costs were lower than expected. The asbestosis provision spending was also significantly below budget. However, again as with the Greater London levy, the asbestosis claims remain a significant variable factor and this led to reduction in the asbestosis provision.

Inner London Levy	Actual £'000	Budget £'000	Variance £'000
Pension Retirement Costs	(8,926)	(9,688)	762
Management Expenses	(320)	(320)	–
Asbestosis Provision (known cases + direct costs)	(120)	(210)	90
Interest Payable and Receivable	112	137	(25)
Levy	13,065	13,065	–
Net inflow to Balances	**3,811**	**2,984**	**827**

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.

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: 13 December 2022

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

Report on the Audit of the Residual Liability Financial Statements

Opinion

We have audited the Residual Liability financial statements of the London Pensions Fund Authority (the 'Authority') for the year ended 31 March 2022, which comprise the Statement of Movement in Reserves, the Comprehensive Income and Expenditure Statement, the Statement of Financial Position, the Cashflow Statement 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 Authority as at 31 March 2022 and of its 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 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 Authority and group 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 group and 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 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, 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 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 in the Statement of Responsibilities, 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 group's and 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. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. 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 April 2022. 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

13 December 2022

4. Residual Liabilities Accounts

Comprehensive Income and Expenditure Statement for the year ended 31 March 2022

	Notes	For the year ended 31 March 2021			For the year ended 31 March 2022		
		Greater London £'000	Inner London £'000	Total £'000	Greater London £'000	Inner London £'000	Total £'000
Unfunded benefits recovered	7	15,888	23,319	39,207	**15,469**	**22,254**	**37,723**
Unfunded benefits	8	(3,451)	(8,608)	(12,059)	**(1,784)**	**(8,926)**	**(10,710)**
Administration costs	9	(244)	(329)	(573)	**(237)**	**(320)**	**(557)**
Cost of Services		12,193	14,382	26,575	**13,448**	**13,008**	**26,456**
Financing and Investment Income and Expenditure							
Net interest on pension scheme liabilities	10	(1,089)	(2,131)	(3,220)	**(750)**	**(1,538)**	**(2,288)**
Interest and investment income		341	–	341	**217**	**112**	**329**
Surplus on Provision of Services		11,445	12,251	23,696	**12,915**	**11,583**	**24,498**
Remeasurements of the Net Defined Benefit Liability	10	(2,764)	(9,020)	(11,784)	**760**	**1,480**	**2,240**
Other Comprehensive Income and Expenditure		(2,764)	(9,020)	(11,784)	**760**	**1,480**	**2,240**
Total Comprehensive Income and Expenditure		8,681	3,231	11,912	**13,675**	**13,063**	**26,738**

4. Residual Liabilities Accounts continued

Statement of Movement in Reserves for the year ended 31 March 2022

	General Fund Reserve			Pension Reserve			
	Greater London £'000	Inner London £'000	Total £'000	Greater London £'000	Inner London £'000	Total £'000	Total reserves £'000
Balance at 31 March 2020 carried forward	**16,736**	**8,430**	**25,166**	**(51,175)**	**(99,804)**	**(150,979)**	**(125,813)**
Movement in Reserves during 2020/21							
Surplus on the provision of services	11,445	12,251	23,696	–	–	–	23,696
Contributions for unfunded benefits	(5,570)	(10,254)	(15,824)	5,570	10,254	15,824	–
Net interest on pension scheme liabilities	1,089	2,131	3,220	(1,089)	(2,131)	(3,220)	–
Remeasurements of the Net Defined Benefit Liability	–	–	–	(2,764)	(9,020)	(11,784)	(11,784)
Net movement in Reserves	**6,964**	**4,128**	**11,092**	**1,717**	**(897)**	**820**	**11,912**
Balance at 31 March 2021 carried forward	**23,700**	**12,558**	**36,258**	**(49,458)**	**(100,701)**	**(150,159)**	**(113,901)**
Movement in Reserves during 2021-22							
Surplus on the provision of services	12,915	11,583	24,498	–	–	–	24,498
Contributions for unfunded benefits	(5,151)	(9,189)	(14,340)	5,151	9,189	14,340	–
Net interest on pension scheme liabilities	750	1,538	2,288	(750)	(1,538)	(2,288)	–
Remeasurements of the Net Defined Benefit Liability	–	–	–	760	1,480	2,240	2,240
Net movement in Reserves	**8,514**	**3,932**	**12,446**	**5,161**	**9,131**	**14,292**	**26,738**
Balance at 31 March 2022 carried forward	**32,214**	**16,489**	**48,704**	**(44,297)**	**(91,570)**	**(135,867)**	**(87,163)**

4. Residual Liabilities Accounts continued

Statement of Financial Position as at 31 March 2022

	Notes	2020-21 Greater London £'000	2020-21 Inner London £'000	2020-21 Total £'000	2021-22 Greater London £'000	2021-22 Inner London £'000	2021-22 Total £'000
Debtors	15	44	941	985	**193**	**1,206**	**1,399**
Cash and Cash equivalents	14	37,173	13,307	50,480	**41,454**	**17,892**	**59,346**
Current Assets		37,217	14,248	51,465	**41,647**	**19,098**	**60,745**
Creditors	16	(24)	(3)	(27)	**(426)**	**(1,329)**	**(1,755)**
Provision	11	(1,597)	(524)	(2,121)	**(1,490)**	**(339)**	**(1,829)**
Current liabilities		(1,621)	(527)	(2,149)	**(1,916)**	**(1,668)**	**(3,584)**
Total assets less current liabilities		35,596	13,721	49,317	**39,731**	**17,429**	**57,161**
Provision	11	(11,896)	(1,163)	(13,059)	**(7,517)**	**(940)**	**(8,457)**
Unfunded pension liability	10	(49,458)	(100,701)	(150,159)	**(44,297)**	**(91,570)**	**(135,867)**
Long term liabilities		(61,354)	(101,864)	(163,218)	**(51,814)**	**(92,510)**	**(144,324)**
Net liabilities		(25,758)	(88,143)	(113,901)	**(12,083)**	**(75,080)**	**(87,163)**
Reserves							
General Fund reserve		23,700	12,558	36,258	**32,214**	**16,489**	**48,704**
Pension reserve		(49,458)	(100,701)	(150,159)	**(44,297)**	**(91,570)**	**(135,867)**
Total Reserves		(25,758)	(88,143)	(113,901)	**(12,083)**	**(75,081)**	**(87,163)**

4. Residual Liabilities Accounts continued

Cashflow Statement

	Notes	2020-21 £'000	2021-22 £'000
Net surplus on the provision of services		23,696	**24,498**
Adjustments to net surplus on the provision of services for non-cash movements	12	(17,089)	**(15,960)**
Cash flows from Operating Activities		6,607	**8,537**
Investing Activities			
Interest received		341	**329**
Net increase or decrease in cash and cash equivalents		6,948	**8,867**
Cash and cash equivalents at the beginning of the reporting period		43,532	**50,480**
Cash and cash equivalents at the end of the reporting period		50,480	**59,346**

5. Notes to Residual Liabilities Accounts

1. General information

The LPFA makes payments of annual statutory compensation following the abolition of the former Greater London Council (GLC) and Inner London Education Authority (ILEA). These payments are financed by way of a levy on all London Boroughs in respect of former Greater London liabilities and on Inner London Boroughs in respect of Inner London liabilities.

The residual liabilities accounts include substantial provisions for injury claims from former employees of the GLC and ILEA in relation to asbestosis. The costs of these claims will be met through a levy on London boroughs, and so the accounts also include a re-imbursement to offset most of the provision, the balance being met by funds already taken from London boroughs, and held in reserves.

2. 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 financial statements have been prepared on a going concern basis.

Unfunded benefits recoverable

- Levy income is the amount received from the London Boroughs to pay the unfunded pension liabilities and asbestosis claims in relation to the former GLC and ILEA.
- Unfunded pensions recovered are the amounts received from the London Boroughs to pay the unfunded pension benefits due in the year for pensioners in the LPFA scheme in relation to the former GLC and ILEA. These amounts are applied to reduce the unfunded defined benefit pension liability.

Unfunded benefits payable

- The movement in the asbestosis provision is the increase or decrease in the asbestosis provision arising from the change in assumptions relating to the number of claims, the cost per claim and the change in the discount rate used to calculate the present value of the liabilities.
- Unfunded pensions payable are the pension benefits payable in the year to pensioners in the LPFA scheme by the London Boroughs in relation to the former GLC, ILEA and the London Residuary Body.

Accruals of Income and Expenditure

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

- Levy income is accounted within the financial statements when the income is due.
- Administration costs are recorded as expenditure when the service has been provided.

Where income or expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet.

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.

The majority of the cash is invested in the GLA Group Investment Scheme (GIS) that has been authorised by the Mayor. The GIS Treasury Management Strategy Statement (TMSS) sets the annual investment strategy. The TMSS restricts at least 90% of the portfolio to institutions with investment grade credit ratings.

5. Notes to Residual Liabilities Accounts continued

Provisions

Provisions are included in the Financial Statements in accordance with the CIPFA code, per IPSAS 19 (International Public Sector Accounting Standards Board Standard 19) which follows the provisions of IAS 37, where an event has taken place that gives LPFA an obligation that in probability, may require 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 using an appropriate discount rate. When payments are eventually made they are charged directly to the provision set up on the balance sheet. 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.

Overheads

Directly attributable overheads are charged to the appropriate service areas within the Residual Liabilities Account.

Interest on Balances

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

Financial Assets/Liabilities

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 Balance Sheet, 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.

Reserves

LPFA sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. Where expenditure to be financed from a reserve is incurred, it is charged to the Income and Expenditure Account and the reserve is then appropriated back also so that there is no net charge to LPFA at this point.

General Fund reserve

The General Fund reserve is used to fund unexpected short term costs, principally relating to asbestosis claims.

Certain reserves are kept to manage accounting processes and do not represent usable resources for LPFA. This is the pension reserve.

Pension Reserve

The Pension Reserve is not cash backed and represents the actuarially calculated deficit between the value of all pension liabilities and the pension assets held.

5. Notes to Residual Liabilities Accounts continued

Accounting for Retirement Benefits

The financial statements disclose the cost of providing retirement benefits and related gains, losses, assets and liabilities

The effect of recognising retirement benefits in the balance sheet is a net liability and a pension reserve in the combined residual liabilities accounts. This relates to the compensation payments which are met on an annual basis by levies on London boroughs.

These liabilities reflect the current actuarial value of future payments and do not affect income and expenditure in 2021-22.

The change in the net pension liability is analysed into the following components:

- Current service cost: the increase in pensions liabilities as a result of a year's service;
- Past service costs: The increase in liabilities as a result of changes to plan arrangements in the current year with subsequent effects to years of service earned by the employee in previous years;
- Interest cost: the increase in the present value of the liabilities during the year as a result of moving one year closer to being paid;
- 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; and
- Unfunded pension payments: the decrease in scheme liabilities due to payments made to pensioners in the year.

3. Financial Risk Management

The LPFA activities expose it to a variety of financial risks in respect of financial instruments. These have been outlined in the financial statements of the pension Fund.

4. Segmental Information

Management do not report segmental information in their monthly management accounts, hence the financial statements for the Residual Liabilities Account have been presented reflecting the non-segmental nature of the entity's operations.

5. Asbestosis Provision

The GLC is responsible for the settlement of claims made by former employees of the GLC and the ILEA who have become injured as a result of exposure to asbestos. Due to the long periods over which this illness can lay dormant the normal deadline for submitting injury claims has been waived. This means that the LPFA has liabilities estimated to last until about 2035. A provision has been established for the injury claims. The provision is based on knowledge of existing claims and estimates of future claims' liabilities. The costs have been estimated in discussion with our legal advisers and take into account previous experience of claims over the last 20 years. The costs are met through the levy on the London boroughs. The future profile of claims is used to smooth any changes in the levy to, as far as possible, limit any changes to the levy, until it gradually decreases as the final liabilities are met. The LPFA does not fund these costs as they are passed on to the appropriate Greater London or Inner London Borough Councils who have a legal duty to reimburse the LPFA. As there is certainty that these costs will be reimbursed the future costs are offset by the reimbursed future income in the Comprehensive Income and Expenditure Statement and are shown separately on the balance sheet of the Residual Liability accounts.

6. Critical Accounting Estimates and Judgment

There are no critical judgements except those involved in the following 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.

Provision

LPFA have set aside a provision for its liabilities to meet the costs of asbestosis claims from former employees of the GLC and the ILEA. The provision is based on knowledge of existing claims and estimates of future claims' liabilities. LPFA also has an estimate of future reimbursement of these costs from the London boroughs. The LPFA has been exploring the possibility that insurers of the GLC and ILEA may be liable in part for these costs as well as awaiting the impact that recent legislation in this area may have on future costs. Any potential impact will take a number of years to assess.

Item	Uncertainties	Effect if actual results differ from assumptions
Unfunded Pension Liability	Estimation of the net liability to pay pensions depends on a number of complex estimates relating to the discount rate used, salary increases, changes in retirement ages, mortality rate, and returns on fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	For Instance: a) a 0.1% increase in the discount rate would reduce the present value of the total obligation by £0.95 m. The rate has increased to 2.2% for 2022 but had previously been on a downward trend over the previous three years, being 1.6% for 2021, 2.25% for 2020. b) a 0.1% increase in long term pension increase would increase the present value of the obligations by £0.95m c) a 1 year increase in life expectancy would increase the present value of the obligation by £6.6m. More details on the assumptions are shown in note 10.
Asbestosis Provision	The calculation of the asbestosis provision involves a number of key estimates. These are the estimation of the number of asbestosis claims made in each future year, the average cost of each claim which is impacted by the period used for averaging, how these costs will increase over time and the discount rate used to calculate the present value of the liabilities. Legal advisors are engaged to provide an estimation of the number of claims and the average cost. Actuaries are engaged to provide an estimation of how these costs will increase and to provide the discount rate to calculate the present value of the liabilities.	The estimated cost of each claim in the coming year is £0.3m per claim derived over an averaging period of five years. If the averaging period was reduced to two years the provision would be £10m, whereas if the averaging period was extended to 10 years the provision would be £21.8m. The rate of increase in the claims each year is assumed to be 3.65% based on actuarial advice. If inflation was increased by 0.1% to 3.75% the provision would increase by £40k. The discount rate used to calculate the present value of the liability was 2.6% based on actuarial advice. If the rate was increased by 0.1% to 2.7% the provision would reduce by £50K.

5. Notes to Residual Liabilities Accounts continued

7. Unfunded benefits recovered

	Year to 31 March 2021			Year to 31 March 2022		
	Greater London £'000	Inner London £'000	Total £'000	Greater London £'000	Inner London £'000	Total £'000
Levy Income	10,318	13,065	23,383	**10,318**	**13,065**	**23,383**
Unfunded Pensions recovered	5,570	10,254	15,824	**5,151**	**9,189**	**14,340**
	15,888	23,319	39,207	**15,469**	**22,254**	**37,723**

8. Unfunded benefits

	Year to 31 March 2021			Year to 31 March 2022		
	Greater London £'000	Inner London £'000	Total £'000	Greater London £'000	Inner London £'000	Total £'000
Reduction to Asbestosis provision	(15,417)	(1,138)	(16,555)	**(3,360)**	**(287)**	**(3,648)**
Release of Reimbursement asset	13,353	–	13,353	**–**	**–**	**–**
Unfunded Pensions payable	5,515	9,746	15,261	**5,144**	**9,213**	**14,358**
	3,451	8,608	12,059	**1,784**	**8,926**	**10,710**

9. Administration costs

	Year to 31 March 2021			Year to 31 March 2022		
	Greater London £'000	Inner London £'000	Total £'000	Greater London £'000	Inner London £'000	Total £'000
Management charge from Operational Accounts	244	329	573	**237**	**320**	**557**
	244	329	573	**237**	**320**	**557**

The administration costs are the costs charged to the Residual Liabilities accounts from the Operational Accounts and comprise a share of the costs relating to administering the Residual Liabilities responsibilities.

5. Notes to Residual Liabilities Accounts continued

10. Retirement benefit obligations

	As at 31 Mar 21			As at 31 Mar 22		
	Greater London £'000	Inner London £'000	Total £'000	Greater London £'000	Inner London £'000	Total £'000
Retirement benefit obligations						
The amounts recognised in the balance sheet are determined as follows:						
Present value of unfunded obligations	49,458	100,701	150,159	**44,297**	**91,570**	**135,867**
Pension Liability	49,458	100,701	150,159	**44,297**	**91,570**	**135,867**
The movement in the present value of unfunded obligations over the year is as follows:						
At 1 April 2021	51,175	99,804	150,979	**49,458**	**100,701**	**150,159**
Interest cost	1,089	2,131	3,220	**750**	**1,538**	**2,288**
Change in financial assumptions	4,704	9,775	14,479	**(654)**	**(1,365)**	**(2,019)**
Change in demographic assumptions	(630)	(1,205)	(1,835)	**–**	**–**	**–**
Experience loss/(gain) on defined benefit obligation	(1,310)	450	(860)	**(106)**	**(115)**	**(221)**
Unfunded pension payments	(5,570)	(10,254)	(15,824)	**(5,151)**	**(9,189)**	**(14,340)**
At 31 March 2022	49,458	100,701	150,159	**44,297**	**91,570**	**135,867**

Greater London:

The assumed life expectations from age 65 are:	As at 31 March 21	As at 31 March 22
Retiring today		
Males	21.7	**21.8**
Females	22.4	**22.5**

Inner London:

The assumed life expectations from age 65 are:	As at 31 March 21	As at 31 March 22
Retiring today		
Males	21.7	**21.8**
Females	23.3	**23.4**

10. Retirement benefit obligations continued

	Year to 31 March 31 21			Year to 31 March 22		
	Greater London £'000	Inner London £'000	Total £'000	Greater London £'000	Inner London £'000	Total £'000
Amounts recognised in the income statement are as follows:						
Net interest on the defined liability (asset)	1,089	2,131	3,220	**750**	**1,538**	**2,288**
Total	1,089	2,131	3,220	**750**	**1,538**	**2,288**
Change in financial assumptions	4,704	9,775	14,479	**(654)**	**(1,365)**	**(2,019)**
Change in demographic assumptions	(630)	(1,205)	(1,835)	**–**	**–**	**–**
Experience loss/(gain) on defined benefit obligation	(1,310)	450	(860)	**(106)**	**(115)**	**(221)**
Re-measurements	2,764	9,020	11,784	**(760)**	**(1,480)**	**(2,240)**

Financial Assumptions for GL and IL:

	Year to 31 March 2022 %p.a.	Year to 31 March 2021 %p.a.	Year to 31 March 2020 %p.a.
Pension Increases (CPI)	**3.60%**	2.80%	1.95%
Discount Rate	**2.60%**	1.60%	2.25%

Sensitivity Analysis for GL:

	Year to 31 March 2022 £'000	Year to 31 March 2021 £'000	Year to 31 March 2020 £'000
Present value of total obligation		**44,297**	
Sensitivity to	**+0.1%**		**-0.1%**
Discount rate	**43,989**		**44,608**
Pension increases and deferred revaluation	**44,605**		**43,991**
Sensitivity to	**+ 1 Year**		**- 1 Year**
Life expectancy assumptions	**46,435**		**42,258**

Sensitivity Analysis for IL:

	Year to 31 March 2022 £'000	Year to 31 March 2021 £'000	Year to 31 March 2020 £'000
Present value of total obligation		**91,570**	
Sensitivity to	**+0.1%**		**-0.1%**
Discount rate	**90,926**		**92,220**
Pension increases and deferred revaluation	**92,213**		**90,932**
Sensitivity to	**+ 1 Year**		**- 1 Year**
Life expectancy assumptions	**95,989**		**87,355**

5. Notes to Residual Liabilities Accounts continued

11. Asbestosis Provision

Asbestosis Provision	2020-21 Greater London £'000	2020-21 Inner London £'000	2020-21 Total £'000	2021-22 Greater London £'000	2021-22 Inner London £'000	2021-22 Total £'000
At 1 April	(30,089)	(2,941)	(33,030)	**(13,493)**	**(1,687)**	**(15,180)**
Decrease to provision	15,417	1,138	16,555	**3,360**	**288**	**3,648**
Amount used during the year	1,179	116	1,295	**1,126**	**120**	**1,246**
At 31 March	(13,493)	(1,687)	(15,180)	**(9,007)**	**(1,279)**	**(10,286)**
Non-current	(11,896)	(1,163)	(13,059)	**(7,517)**	**(940)**	**(8,457)**
Current	(1,597)	(524)	(2,121)	**(1,490)**	**(339)**	**(1,829)**
	(13,493)	(1,687)	(15,180)	**(9,007)**	**(1,279)**	**(10,286)**

12. Reconciliation of Non-Cash Movements

	2020-21 Greater London £'000	2020-21 Inner London £'000	2020-21 Total £'000	2021-22 Greater London £'000	2021-22 Inner London £'000	2021-22 Total £'000
Transfer to pension reserve	(4,481)	(8,123)	(12,604)	**(4,401)**	**(7,651)**	**(12,052)**
(Increase)/Decrease in debtors	195	233	428	**(149)**	**(265)**	**(413)**
Increase/(decrease) in creditors	(65)	(11)	(76)	**402**	**1,326**	**1,728**
Interest received	(341)	–	(341)	**(217)**	**(112)**	**(329)**
Movement in provisions	(16,596)	(1,253)	(17,849)	**(4,487)**	**(407)**	**(4,894)**
Decrease in asbestos reimbursement expenditure through asbestos provision	13,353	–	13,353	**–**	**–**	**–**
	(7,935)	(9,154)	(17,089)	**(8,852)**	**(7,109)**	**(15,960)**

13. Related Party Transactions

The LPFA Pension Fund Accounts and the LPFA Operational Accounts are related parties. The Operational Management charge was £557k (2021: £573k) other transactions relating to such are disclosed elsewhere in the accounts.

14. Cash and Cash Equivalents

	2020-21 Greater London £'000	2020-21 Inner London £'000	2020-21 Total £'000	2021-22 Greater London £'000	2021-22 Inner London £'000	2021-22 Total £'000
Cash and Cash equivalents	37,173	13,307	50,480	**41,454**	**17,892**	**59,346**

5. Notes to Residual Liabilities Accounts continued

15. Debtors

	2020-21			2021-22		
	Greater London £'000	Inner London £'000	Total £'000	Greater London £'000	Inner London £'000	Total £'000
Amounts payable to Pension Fund	–	–	–	**31**	**13**	**44**
Sundry creditors	44	941	985	**162**	**1,193**	**1,355**
	44	941	985	**193**	**1,206**	**1,399**

16. Creditors

	2020-21			2021-22		
	Greater London £'000	Inner London £'000	Total £'000	Greater London £'000	Inner London £'000	Total £'000
Amounts payable to Pension Fund	–	–	–	**–**	**58**	**58**
Sundry creditors	24	3	27	**426**	**1,271**	**1,697**
	24	3	27	**426**	**1,329**	**1,755**

17. Financial instruments

The Residual Liabilities account only holds cash as mentioned in note 14 above as well as payables and receivables, these are covered in notes 15 and 16.

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

18. Post Balance Sheet Events

There were no material events after the balance sheet date.