Company number 09985860

LOCAL PENSIONS PARTNERSHIP ADMINSTRATION LTD

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

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Company Information

Directors

Joanne Darbyshire, Managing Director
Christopher Paul Rule, Chief Executive
Sir Peter Rogers, Chair
Robert Branagh, Non-executive director
Jill Mackenzie, Non-executive director
Alan Schofield, Non-executive director
Ron Jarman, Non-executive director
Elizabeth Woolman, Non-executive director

Registered Office

Norwest Court
Guildhall Street
Preston
United Kingdom
PR1 3NU

Registered in England No: 09985860

Auditors

Grant Thornton UK LLP
30 Finsbury Square
London
EC2A 1AG

Bankers

National Westminster Bank
PO Box 35
10 Southwark Street
London
E1 1TJ

Strategic Report

The Directors present their Strategic Report and Financial Statements of Local Pensions Partnership Administration Ltd ("the Company") for the year ended 31 March 2021. The Directors have prepared the Financial Statements in accordance with the UK financial reporting framework, FRS 102 ('The Financial Reporting Standard applicable in the UK and Republic of Ireland').

History and Principal Activities

Local Pensions Partnership Administration Ltd (LPPA) is a subsidiary of Local Pensions Partnership Ltd (LPP) providing pensions administration services to public sector clients (9 Local Government Funds; 7 Fire Authorities and 1 Police Force).

When we formed LPP Group in 2016, alongside LPPI (the Investment and separate subsidiary business) we also formed the LPP Administration (LPPA) subsidiary, which has been largely dormant until 1 June 2020, with our Pension Administration activity being managed within LPP. In 2019, the Group Executive Committee, supported by the LPP Board and shareholders, decided that the best way to enable both operating businesses to flourish in the years ahead was to provide both with a similar level of focussed and independent management whilst maintaining the overarching support of the wider LPP Group. By re-establishing LPPA as a standalone entity and creating focused business unit management, with full accountability to the LPPA Board, the Company will be able to calibrate its activities, focussing on what matters to the administration clients whilst providing greater expertise and clarity of costs to both clients and shareholders.

Today LPPA provide pension administration services for more than 600,000 LGPS, Police and Firefighters' pension scheme members across over 1,900 employers.

Strategic Plan 2020-25

2020-21 was the first year of LPP's 5 Year Strategic Plan.

Within this 5 year strategy, LPPA's priorities can be summarised in four key strategic goals:
- Self-sufficiency and sustainability
- High quality, cost effective pensions administration with focus on improving the member and employer experience
- An exciting, forward thinking and collaborative place to work
- Reflecting local and international excellence

The start of the financial year coincided with the start of the Covid-19 pandemic. LPPA quickly delivered a virtually undisrupted move to home working at the start of the pandemic and accelerated delivery of a new contact centre telephony system to ensure that the Helpdesk remained open throughout the pandemic. Despite unplanned increases in bereavements at the height of the Covid waves, performance metrics were consistently in excess of 99% against the Service Level Agreements for all clients.

The capital injections into LPPA in May 2020 and March 2021 have put LPPA on a strong financial footing as a newly operating business and support the investment in new Finance and Administration systems which, when delivered in FY21/22 will streamline operational activity.

2021-22 will see LPPA move into Year 2 of the 5 Year Strategy. The board have re-assessed the strategic deliverables for the coming year and no significant strategic shifts are anticipated. Focus for the coming year is on delivery of the new Finance and Administration systems which will support in improving both employer and member experience as well as streamlining internal processes.

Staff Engagement:

The Covid pandemic has been challenging for all employees. From the very start of the pandemic and on a continuing basis, staff have been invited to participate in surveys to ensure that LPPA is supporting them practically (by ensuring that they have the IT, tools and furniture to work at home) and engaging with them to maintain their emotional, physical and mental well-being (with organised virtual social events, regular gift boxes and access to online well-being apps and tools).

Communication and surveys have demonstrated overall improvements in staff engagement. Wellness and diversity initiatives have been progressed.

- LPPA engagement increased from 6.8 to 7.9 out of 10 with a participation rate 94%.
- Diversity & Inclusion surveys returned 8.5 out of 10

LPPA Board Governance

Composition

The LPPA Board is chaired by Sir Peter Rogers and, during the reporting year, the other non-Executive Directors were Alan Schofield (County Councillor, Lancashire County Council), Robert Branagh (Chief Executive Officer, London Pensions Fund Authority) and Jill Mackenzie. Executive Directors of the Board for 2020/21 were Jo Darbyshire and Chris Rule. The Finance Director, Abigail Leech and Director of Strategy, Greg Smith were invited to attend every meeting.

On 1 May 2021, two further non-Executive Directors were appointed, this is in part due to Jill Mackenzie's appointment coming to an end in August 2021 but also to build the strength and expertise to support the strategic direction LPPA is taking.

Role and responsibilities

The LPPA Board is responsible for overseeing the pensions administration business. This includes organising and directing the affairs of LPPA for the benefit of its shareholders and clients.

The LPP Board is responsible for the oversight of the subsidiaries plus Group performance, strategy and shareholder engagement.

During the 2020-21 the main risk which was managed was Covid19. The business was able to operate largely uninterrupted and continues to do so.

This report was approved by the Board, and signed by its order on 4 October 2021.

J. Darbyshire

Joanne Darbyshire
Director

Report of the Directors

The Directors present their report and financial statements for the year ended 31 March 2021.

Directors

The following persons served as Directors during the year and up to the Statement of Financial Position signing date:

Joanne Darbyshire
Sir Peter Rogers
Christopher Paul Rule (appointed 29 July 2020)
Robert Branagh (appointed 29 July 2020)
Alan Schofield (appointed 29 July 2020)
Greg Smith (resigned 29 July 2020)
Jill Francine Mackenzie (appointed 29 July 2020, resigned 31 August 2021)
Elizabeth Woolman (appointed 1 May 2021)
Ron Jarman (appointed 1 May 2021)
Andrew Brocklehurst (Company Secretary, resigned 31 December 2020)

Results and dividends

The trading result for the Company for the 10 months since LPP Group restructured is a loss after tax of £18,793k (2019/20 - £nil).

No dividends were paid during the year (2019/20 - £nil).

Capital

As at 31 March 2021, LPPA has an issued share capital of 7 million ordinary shares of £1.

Going concern

The Company's income is mainly generated through providing pensions administration to clients through shared services agreements. These agreements are centred around a cost recovery model, in the financial year ended 31 March 2021 clients had agreed a step up in fees moving to a full cost recovery in the financial year ended 31 March 2022, with the exception of one client. Fees are agreed with clients annually as part of the annual budget process and reviewed quarterly with clients.

Cashflows in the next 12 months include system investment which will support process improvement and efficiencies. These cash outflows are being funded by the extra capital injection received in March 2021 and income from additional client activities outside of the main service agreements.

The Company is in a net liability position as a result of the net defined benefit liability, however the Directors are satisfied our current asset position remains positive and after making enquiries in relation to the Company's forecasts and projects, the Directors are satisfied that the Company has adequate resources and operational resilience to continue in business for the foreseeable future. Added to this, the Company continues to have the support of its immediate parent LPP, who, if required, would be able to call upon loan facilities from its parent entities, in order to provide further capital injection into the Company. The shareholders of the Group are both local authorities and clients of the Company. Therefore, the Directors feel that it is appropriate to adopt the going concern basis in preparing the Financial Statements

Political and charitable donations

No political donations were made during the year (2019//20 - £nil). A charitable donation of £200 was made in December 2020 (2019/20 – £nil).

Employee engagement and representation

Organisational-wide changes are communicated to employees and major strategic projects are discussed with employees through monthly briefing meetings. The senior leadership team have an informal 'open door' policy and welcome suggestions and questions from all employees.

Disabled employees

The LPP Group is committed to ensuring equality of opportunity and access in both the employment and service arrangements. It aims to promote diversity within its workforce and ensure that its services meet the different needs of its staff, and clients at all times. LPP Group has published an Equality Policy on its website. 8% of LPP's employees have reported some form of disability.

As a Group, LPP aims to ensure fairness and equality towards all applicants through objective based recruitment practices and family friendly policies to support staff during changing circumstances. This includes flexible working arrangements to support participation in religious and/or cultural events, to care for dependents or where reasonable adjustments are required to roles/working patterns to support declared disabilities.

Training methods and environments are tailored to support staff with declared disabilities including delivering the training with the support of sign language.

Post balance sheet events

There have been no post balance sheet events to report.

Disclosure of information to auditors

Each person who was a director at the time this report was approved confirms that:

- so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This report was approved by the Board, and signed by its order on 4 October 2021

J. Darbyshire

Joanne Darbyshire

Director

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic report, the Directors' report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law, the Directors have elected to prepare Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and applicable law). Under company law, the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the Financial Statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- State whether applicable UK Accounting Standards, comprising FRS102, have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- Make judgements and accounting estimates that are reasonable and prudent; and
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that their responsibilities have been fulfilled.

Independent Auditor's Report

Opinion

We have audited the financial statements of Local Pensions Partnership Administration Ltd (the 'Company') for the year ended 31 March 2021, which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).
In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' 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 Company'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 Company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the Company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the Company's financial resources or ability to continue operations 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 Company'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 directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the report of the directors have been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the report of the directors.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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 applicable to the Company and the industry in which it operates. We determined that the following laws and regulations were most significant; FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland and Companies Act 2006 (United Kingdom Generally Accepted Accounting Practice).

- We obtained an understanding of how the Company is complying with these legal frameworks by making inquiries of management and those responsible for legal and compliance procedures. We did not identify any matters relating to non-compliance with laws and regulation or matters in relation to fraud.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Company's operations, including the nature of its operations, and of its objective to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement; and
  - the Company's control environment to mitigate risks of fraud or non-compliance with the relevant laws and regulations.
- In assessing the appropriateness of the collective competence and capabilities of the engagement team, the engagement partner considered the engagement team's:
  - Understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the industry in which the client operates.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included review of manual journal entries. We also reviewed the financial statements disclosures and the corresponding supporting documentation.
- 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.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

Paul Flatley
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
4 October 2021

Profit and Loss Account
For the year ended 31 March 2021

	Notes	2021*	2020
		£'000	£'000
Turnover	6	10,760	-
Administrative expenses	7	(29,845)	-
Operating Loss	8	**(19,085)**	-
Tax on loss	10	292	-
Loss for the financial year		**(18,793)**	**-**

**2021 trading activity relates to the 10 month period following the Group restructure on 1 June 2020, prior to this LPPA was non trading.*

Statement of Comprehensive Income
For the year ended 31 March 2021

	Notes	2021 £'000	2020 £'000
Loss for the financial year		**(18,793)**	-
Other comprehensive expenditure			
Remeasurement of defined benefit obligation	15	(339)	-
Other comprehensive expenditure for the year, net of tax		**(339)**	**-**
Total comprehensive expenditure for the year		**(19,132)**	**-**

Balance Sheet

As at 31 March 2021

	Notes	2021	2020
		£'000	£'000
Fixed assets			
Intangible assets	11	317	-
Tangible assets	12	99	-
		416	-
Current assets			
Debtors	13	3,980	-
Cash at bank and in hand		2,448	1
		6,428	1
Creditors: amounts falling due within one year	14	(1,294)	(5)
Net current assets/(liabilities)		**5,134**	**(4)**
Total assets less current liabilities		5,550	(4)
Post-employment benefits	15	(17,686)	-
Net liabilities		**(12,136)**	**(4)**
Capital and reserves			
Share capital	16	7,000	-
Retirement benefit obligations reserve		(15,792)	
Profit and loss account		(3,344)	(4)
Total equity		**(12,136)**	**(4)**

The notes on pages 16 to 27 form an integral part of these Financial Statements.

The Financial Statements were approved by the Board of Directors on 4 October 2021 and were signed on its behalf on the same date by:

J. Darbyshire

Joanne Darbyshire

Director

Statement of Changes in Equity

For the year ended 31 March 2021

	Notes	Share capital	Retirement benefit obligation reserve	Retained earnings	Total
		£000	**£000**	**£000**	**£000**
Balance as at 1 April 2019		**-**	**-**	(4)	**(4)**
Total comprehensive expenditure for the year		**-**	**-**	(4)	**(4)**
Balance as at 31 March 2020		**-**	**-**	(4)	**(4)**
Balance as at 1 April 2020		-	-	(4)	**(4)**
Loss for the year		-	-	(18,793)	**(18,793)**
Other comprehensive expenditure for the year	15	-	-	(339)	**(339)**
Total comprehensive expenditure for the year		**-**	**-**	(19,132)	**(19,132)**
Proceeds from shares issued	16	7,000	-	-	**7,000**
Transfer to retained earnings	15	-	(15,792)	15,792	**-**
Total transactions with owners, recognised directly in equity		7,000	(15,792)	(3,340)	**(132)**
Balance as at 31 March 2021		**7,000**	**(15,792)**	**(3,344)**	**(12,136)**

Notes to the Financial Statements Year Ended 31 March 2021

1. Introduction

The Company is part of the Local Pensions Partnership Group of Companies, it was formed on 3 February 2016 and was non-trading until 31 May 2020. The Company is a wholly owned subsidiary of Local Pensions Partnership Ltd ("LPP"), whose other subsidiaries include Local Pensions Partnership Investments Ltd ("LPPI"). The principal activity of the Company is the provision of pensions administration services to seventeen public sector pensions clients, including police, firefighters and employers who qualify for LGPS.

The Company is a limited liability company under the laws of England and Wales, in the UK. The Registered Office is located at Norwest Court, Guildhall Street, Preston, United Kingdom, PR1 3NU.

The Financial Statements are presented in sterling (£) which is the functional and presentational currency of the Company and rounded to the nearest £'000 except where otherwise stated.

The Company's parent undertaking, Local Pensions Partnership Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Local Pensions Partnership Ltd are prepared in accordance with UK GAAP and are available to the public and may be obtained from 1 Finsbury Avenue, London. EC2M 2PF. In these Financial Statements, the Company has applied the exemptions available under FRS 102, '*The Financial Reporting Standard applicable in the UK and Republic of Ireland'* in respect of the following disclosures:

- Cash flow statement and related notes
- Related party disclosures
- Key management compensation

2. Statement of compliance

The Financial Statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, *'The Financial Reporting Standard applicable in the UK and Republic of Ireland'* ("FRS 102") and the Companies Act 2006.

LPPA has adopted the following disclosure exemptions, which the shareholder has been informed about:

- the requirement to present a statement of cash flows and related notes (s7 FRS 102)
- the requirement to disclose related party transactions (s33 FRS 102).

3. Going concern

After making enquiries in relation to the Company's forecasts and projects, and the Covid-19 virus outbreak in the year, the Directors are satisfied that the Company has adequate resources to continue in business for the foreseeable future. Added to this, the Company still continues to have the support of its immediate parent LPP, who, if required, would be able to call upon loan facilities from its parent entities, in order to provide a capital injection into the Company. The shareholders of the Group are both local authorities and clients of the Company. Therefore, the Directors feel that it is appropriate to adopt the going concern basis in preparing the Financial Statements.

Withdrawal of the United Kingdom from the European Union ('Brexit')
The Company's client base is based in the UK and as most of its transactions are based in Sterling, the Directors do not feel that the Company is exposed to any foreign exchange risk.

Covid-19
The LPPA workforce moved to homeworking when the Covid-19 pandemic began, delivering virtually undisrupted operations through significant investment in IT, including the rollout of a new telephony system which enabled the call-centre to operate effectively and as close as possible to business as usual whilst also providing enhanced management information to the business.

There was an increased focus on employee wellbeing with regular communications, surveys and virtual team meetings, together with dedicated health and safety and remote-working initiatives

A significant majority of LPPA staff continue to work remotely but offices have reopened in line with government guidelines, with a move towards a preferred hybrid model of working.

4. Summary of significant accounting policies

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

Notes to the Financial Statements Year Ended 31 March 2021

(a) Basis of preparation

The Financial Statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 *'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland'*(FRS 102) and the Companies Act 2006.

The preparation of Financial Statements under FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements, are set out in Note 5.

(b) Intangible fixed assets

Intangible fixed assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged to allocate the cost of intangibles less their residual values over their useful economic lives (UEL), using the straight-line method.

The intangible fixed assets are amortised over the following useful economic lives:

- Software costs - length of licence/contract or 3 years

Assets under construction comprise system applications which will be amortised over an appropriate period when brought into use.

(c) Tangible fixed assets

Tangible assets are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Costs includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs.

Depreciation is calculated, using the straight-line method, to allocate the depreciable amount over their residual values over their estimated useful lives, as follows:

• Computer hardware and software	3 to 5 years or the length of the contract
• Office equipment	3 to 5 years
• Leasehold improvements	Length of lease

(d) Debtors

These amounts generally arise from the normal operating activities of LPPA and are initially recognised at transaction price and subsequently carried at amortised cost. Debtors that are receivable within one year are recorded at the undiscounted amount expected to be received. A review of recoverability of the debt is completed quarterly and a provision based on an estimate of likely recovery is made as doubtful debts are identified.

(e) Cash at bank and in hand

Cash is held in both a current account and a deposit account with National Westminster Bank plc.

(f) Creditors

Short term trade creditors are initially recognised at transaction price and thereafter at amortised cost.

(g) Leases

Leases are classified as finance leases whenever the terms of the lease transfers substantially all the risks and rewards of ownership of the leased asset to the Company. All other leases are classified as operating leases.

Rental payments under operating leases are charged to the profit and loss on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction to the expense recognised over the lease term on a straight-line basis.

Notes to the Financial Statements Year Ended 31 March 2021

Basis of presentation and significant accounting policies

4. Summary of significant accounting policies

(h) Provisions for liabilities

Provisions, where required, are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, considering the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Restructuring provisions are recognised when the Company has a detailed, formal plan for the restructuring and has raised a valid expectation in those affected by either starting to implement the plan or announcing its main features to those affected, and therefore has a legal or constructive obligation to carry out the restructuring. Provision is not made for future operating losses.

(i) Taxation

Current tax is recognised for corporation tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated. Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.
If all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is calculated using the tax rates and laws that that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

The tax charge (credit) is presented either in the profit and loss account, other comprehensive income or equity depending on the transaction that resulted in the tax charge (credit).

(j) Turnover

Turnover is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes.

(k) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(l) Inter and intra company debtors and creditors

These amounts generally arise from normal operating activities within the LPP Group. Due to the short-term nature of these receivables and payables usually less than one year, the carrying amount is the same as the fair value.

(n) Employee benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Defined benefit pension plan

Employees are either members of the London Pensions Fund Authority Fund or the Lancashire County Pension Fund. Contributions from the employer are payable to the schemes and are charged to the profit and loss account in the period to which they relate.

Notes to the Financial Statements Year Ended 31 March 2021

Basis of presentation and significant accounting policies

4. Summary of significant accounting policies

(n) Employee benefits (continued)

A defined benefit scheme defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration.

The defined benefit scheme liability recognised in the balance sheet is the present value of the defined benefit obligation at the reporting date less the fair value of the scheme assets at the reporting date.

The defined benefit obligation is calculated using the projected unit credit method. Annually the Company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on AA rated corporate bonds that are denominated in sterling and that have terms approximating the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS102 fair value hierarchy. This includes the use of appropriate valuation techniques.
Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions together with the return on scheme assets, less amounts included in net interest, are disclosed as 'Remeasurements of net defined benefit obligations'.

The cost of the defined benefit scheme, recognised in the profit and loss account as employee costs, except where included in the cost of an asset, comprises:

- the increase in pension benefit liability arising from employee service during the period; and
- the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in the profit and loss account as an expense.

Note 15 sets out additional information regarding the defined benefit schemes of which employees of the Company are members.

(o) Annual bonus plan

The Company operates an annual bonus scheme for its employees. An expense is recognised in the profit and loss when the Company has legal or constructive obligation to make payments under the scheme as a result of past events and a reliable estimate of the obligation can be made.

5. Significant judgements and estimates

Sources of estimation uncertainty

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts to the assets and liabilities within the next financial year are addressed below.

(i) Useful economic life

The Company estimates useful economic life of tangible assets based on the number of years they are likely to remain in service for based on condition at time of purchase and nature of use.

The Company's intangible assets are deemed to have a finite life in line with legal or contractual provisions and consideration of our historical experience in renewing or extending similar arrangements.

(ii) Taxation

The Company establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors including interpretations of tax regulations. Estimation is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing of future taxable profits together with an assessment of the effect of future tax planning strategies.

Notes to the Financial Statements Year Ended 31 March 2021

(iii) Pensions liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Two independent consulting actuaries were engaged to provide the Company with expert advice about the assumptions to be applied. However, because these judgements cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

Critical Judgements

On 1 June 2020, employees of LPP, who are members of the London Pensions Fund Authority ("LPFA") Pension Fund and Lancashire County Pension Fund ("LCPF") respectively, were transferred to LPPA under the Transfer of Undertakings (Protection of Employment) Regulations ("TUPE"). The transaction was part of the restructuring carried out during the year. As the transaction was part of the Group's strategic plan, management has made a judgement that it had the commercial substance akin to a transaction carried out at arms-length basis with independent third parties. As a result, this transfer has been accounted for in these financial statements as a commercial transaction.

The transfer of employees participating in LCPF was carried out on a share of funds basis. A subsequent actuarial calculation revealed a short fall of £0.3m in pension fund assets at the date of transfer.

Legal advice obtained supported management's judgement that no distribution at law had taken place, notwithstanding the £0.3m shortfall, as the overall transaction was carried out on a commercial basis and was deemed to be at market value.

See Note 15 for additional information

6. Analysis of turnover

	2021	**2020**
	£'000	**£'000**
Pensions administration	10,115	-
Employer risk	645	-
Total	10,760	-
Geographical analysis		
UK	10,760	-

The Company actively commenced trading on the 1 June 2020.

7. Administrative expenses

	2021	**2020**
	£'000	**£'000**
Wages and salaries	6,198	-
Social security costs	606	-
Defined benefit pension costs	947	-
Other pension costs	17,347	-
Staff costs	25,098	-
Legal fees	534	-
Other non-staff costs	2,544	-
Group recharges – staff	427	-
Group recharges – non staff	1,242	-
Administrative expenses charged to profit and loss	**29,845**	**-**

Notes to the Financial Statements Year Ended 31 March 2021

8. Operating loss

	2021	2020
	£'000	£'000
Operating loss is stated after charging:		
Staff costs charged to profit and loss	25,098	-
Reorganisation expense	52	-
Accelerated depreciation of tangible assets	7	-
Impairment of trade receivables	10	-
Operating lease charges	172	-
Internal auditor's remuneration	138	-

	2021	2020
Included within administration expenses are:	£'000	£'000
Audit services:		
Audit fees payable to the Company's auditors for the statutory audit*	25	-

*LPP paid audit fees of £3k on behalf of LPPA during the year ended 31 March 2020.

The average number of employees (including Directors) employed by the Company during the year was 238. (2019/20 Nil)

9. Directors' emoluments

	2021	2020
	£'000	£'000
The Directors' emoluments were as follows:		
Aggregate remuneration	225	-
The number of Directors who are members of a defined benefit pension scheme.	Nil	

	2021	2020
Highest paid Director (included in the above figures)	£'000	£'000
Total amount of emoluments	179	-
Other pension costs	27	-
Total	206	

In addition to the above, which reflects the LPPA payroll, £52k was paid through LPP and LPPI payroll and subsequently recharged to LPPA and is included within LPPA reported operating expenses.

10. Taxation

	2021	2020
	£'000	£'000
Analysis of credit in year		
Current tax:		
UK Corporation tax credit on loss for the year	(292)	-
Tax credit in the profit and loss account	**(292)**	**-**

Reconciliation of tax charge

The differences between the tax assessed for the year and the standard rate of corporation tax are explained as follows:	2021 £'000	2020 £'000
Loss before tax	(19,085)	-
Loss multiplied by standard rate of corporate tax in the UK of 19%	(3,626)	-
Effects of:		
- Unrecognised deferred tax	3,329	-
- Expenses not deductible for tax purposes	5	-
Tax credit for the year	**(292)**	-

Notes to the Financial Statements Year Ended 31 March 2021

11. Intangible assets

	Assets under Construction £'000	Software £'000	Total £'000
Cost			
At 1 April 2020	-	-	**-**
Additions	292	30	**322**
At 31 March 2021	**292**	**30**	**322**
Accumulated amortisation			
At 1 April 2020	-	-	**-**
Amortisation during the year	-	5	**5**
At 31 March 2021	**-**	**5**	**5**
Net book value at 1 April 2020	**-**	**-**	**-**
Net book value at 31 March 2021	**292**	**25**	**317**

12. Tangible Assets

	Fixtures, fittings, & office equipment £'000	IT equipment £'000	Total £'000
Cost			
At 1 April 2020	-	-	**-**
Additions	8	110	**118**
Disposals	-	(1)	**(1)**
At 31 March 2021	8	109	**117**
Depreciation			
At 1 April 2020	-	-	**-**
Depreciation for the year	1	10	**11**
Accelerated depreciation	7	-	**7**
At 31 March 2021	**8**	**10**	**18**
Net book value at 1 April 2020	-	-	-
Net book value at 31 March 2021	**-**	**99**	**99**

13. Debtors

	2021 £'000	2020 £'000
Trade debtors	2,394	-
Amounts owed by Group undertakings	119	-
Prepayments and accrued income	1,467	-
Total	**3,980**	**-**

Trade debtors are stated after provisions for impairment of £9,560 (2020:Nil)

Amounts owed by Group undertakings are unsecured, interest free and are repayable on demand.

Notes to the Financial Statements Year Ended 31 March 2021

14. Creditors: amounts falling due within one year

	2021	2020
	£'000	£'000
Trade creditors	199	1
Amounts owed to Group undertakings	-	4
Other taxation and social security	197	-
Other creditors	147	-
Accruals and deferred income	751	-
Total	**1,294**	**5**

15. Post-employment benefits

Defined benefit schemes

On 1 June 2020, employees of LPP, who are members of the London Pensions Fund Authority ("LPFA") Pension Fund and Lancashire County Pension Fund ("LCPF") respectively, were transferred to LPPA under the Transfer of Undertakings (Protection of Employment) Regulations ("TUPE"). The transferring employees are all members of the Local Government Pension Scheme ("LGPS") through participation in either LPFA or LCPF. LPPA was allocated notional shares of the LPFA and LCPF fund assets on a share of fund basis. On 1 November 2020, 2 employees of LPPA transferred to LPFA under TUPE.

The liabilities were calculated on the ongoing basis appropriate for funding. The Company acquired its share of assets and liabilities based upon members transferred. The transaction was recorded in the Company's accounts by debiting past service cost in the profit and loss and crediting Pension Liabilities on FRS 102 valuation basis. Please refer to note 5 for the judgements made by management in relation to this transaction. It has subsequently been identified there was a deficit on the funding on the LCPF of £0.3m based on the latest available triennial valuation. LPPA expects to receive this amount from LPP and once received will be accounted for as a capital contribution.

The net liabilities acquired, at the time of the transfers, were:

1 June 2020	London Pensions Fund Authority	Transfer from LPP to LPPA	£7.135m
1 November 2020	London Pensions Fund Authority	Transfer from LPPA to LPFA	(£0.057m)
	London Pensions Fund Authority	Net liabilities transferred to LPPA	£7.078m
1 June 2020	Lancashire County Pension Fund	Transfer from LPP to LPPA	£8.714m
			£15.792m

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 and currently provides benefits based on career average revalued earnings. Full details of the benefits being valued are as set out in the Regulations as amended and summarised on the LGPS website and the Fund's membership booklet. There are currently uncertainties in relation to LGPS benefits due to the McCloud and Sargeant judgement and the 2016 cost cap process. Currently, each member contributes a proportion of their salary to the scheme, between 5.5% to 12.5% per annum depending on their rate of pay. LPPA, as the employing body, also contributes to the scheme as determined by each Fund's respective Fund Actuary on the employee's behalf, currently at 12.0% and 14.9% of salary p.a. The liabilities of the LGPS attributable to the Company are included in the Statement of Financial Position.

In accounting for the defined benefit schemes, the Company has applied the following principles:

- No pension assets are invested in the Company's own financial instruments or property.

The schemes in the UK typically expose the Company to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk, as follows:

- Investment risk. The Funds hold investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges;
- Interest rate risk. The Funds' liabilities for accounting purposes are assessed using market yields on high quality corporate bonds to discount future liability cashflows. As the Funds hold assets such as equities the value of the assets and liabilities may not move in the same way;
- Inflation risk. The benefits under the Funds are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation;

Notes to the Financial Statements Year Ended 31 March 2021

15. Post-employment benefits (continued)

- Longevity risk. In the event that the members live longer than assumed a deficit will emerge. There is also other demographic risk; and
- Salary risk - the present value of the defined benefit scheme liability is calculated by reference to the future salaries of plan participants, as such, an increase in the salary of the plan participants will increase the plan's liability.

Post-employment benefits summary

	LPFA		LCPF		TOTAL	
	2021	2020	2021	2020	2021	2020
Reconciliation of fair value of plan assets	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Fair value of plan assets	6,302	-	14,284	-	20,586	-
Defined benefit obligation	(15,082)	-	(23,190)	-	(38,272)	-
Net defined benefit liability	**(8,780)**	**-**	**(8,906)**	**-**	**(17,686)**	**-**

The defined benefit pension scheme on the Company Statement of Financial Position is as follows:

	LPFA		LCPF		TOTAL	
	2021	2020	2021	2020	2021	2020
	£'000	£'000	£'000	£'000	£'000	£'000
Defined benefit obligation at start of year	-	-	-	-	-	-
Current service cost	667	-	1,417	-	2,084	-
Past service cost	-	-	61	-	61	-
Benefits paid/(received)	(5)	-	(120)	-	(125)	-
Contributions by employees	105	-	264	-	369	-
Interest cost	175	-	289	-	464	-
Scheme introductions	12,687	-	21,559	-	34,246	-
Remeasurements						-
Effect of changes in financial assumptions	1,725	-	(280)	-	1,445	-
Effect of changes in demographic assumptions	(184)	-	-	-	(184)	-
Effect of experience adjustments	(88)	-	-	-	(88)	-
Defined benefit obligation at end of year	**15,082**	**-**	**23,190**	**-**	**38,272**	**-**

	LPFA		LCPF		TOTAL	
	2021	2020	2021	2020	2021	2020
	£'000	£'000	£'000	£'000	£'000	£'000
Fair value of plan assets at beginning of year	-	-	-	-	-	-
Benefits paid/(received)	(5)	-	(120)	-	(125)	-
Interest income on scheme assets – employer	79	-	177	-	256	-
Administrative expenses and taxes	(6)	-	(23)	-	(29)	-
Employer contributions	179	-	648	-	827	-
Contributions by employees	105	-	264	-	369	-
Scheme introductions	5,609	-	12,845	-	18,454	-
Remeasurements						
Return on scheme assets less interest income	341	-	493	-	834	-
Fair value of plan assets at end of year	**6,302**	**-**	**14,284**	**-**	**20,586**	**-**

Notes to the Financial Statements Year Ended 31 March 2021

15. Post-employment benefits (continued)

	LPFA		LCPF		TOTAL	
	2021	2020	2021	2020	2021	2020
	£'000	£'000	£'000	£'000	£'000	£'000
Analysis of assets						
Equities	3,425	-	6,700	-	10,125	-
Target return portfolio	1,483	-	-	-	1,483	-
Property	573	-	2,028	-	2,601	-
Infrastructure	534	-	1,174	-	1,708	-
Credit funds	-	-	1,914	-	1,914	-
Private equity	-	-	1,143	-	1,143	-
Fixed income	-	-	471	-	471	-
Cash / liquidity	287	-	314	-	601	-
Total assets	**6,302**	-	**14,284**	-	**20,586**	**-**

Defined benefit costs recognised in profit and loss

	LPFA		LCPF		TOTAL	
	2021	2020	2021	2020	2021	2020
	£'000	£'000	£'000	£'000	£'000	£'000
Current service cost	667	-	1,417	-	2,084	-
Past service cost	-	-	61	-	61	-
Net interest on defined liability	96	-	112	-	208	-
Administrative expenses and taxes	6	-	23	-	29	-
Scheme Introduction	7,078	-	8,714	-	15,792	-
Total costs	**7,847**	-	**10,327**	-	**18,174**	-

Defined benefit costs recognised in other comprehensive income

	LPFA		LCPF		TOTAL	
	2021	2020	2021	2020	2021	2020
	£'000	£'000	£'000	£'000	£'000	£'000
Return on scheme assets less interest income	(341)	-	(493)	-	(152)	-
Effect of changes in financial assumptions	1,725	-	(280)	-	1,445	-
Effect of changes in demographic assumptions	(184)	-	-	-	(184)	-
Effect of experience adjustments	(88)	-	-	-	(88)	-
Total costs/(income)	**1,112**	**-**	**(773)**	**-**	**339**	-

Notes to the Financial Statements Year Ended 31 March 2021

15. Post-employment benefits (continued)

Reconciliation of funded position	**LPFA**	**LPCF**	**TOTAL**
	£'000	**£'000**	**£'000**
Net defined benefit (liability)/asset at start of the period			
Expense recognised in profit and loss	(769)	(1613)	(2,382)
Gain recognised in other comprehensive income	(1,112)	773	(339)
Transfer of assets and liabilities	(7,078)	(8,714)	(15,792)
Contributions by the Company	179	648	827
Net defined benefit liability at end of the period	**(8,780)**	**(8,906)**	**(17,686)**

	LPFA		**LCPF**	
The principal actuarial assumptions used were as follows:	**2021**	**2020**	**2021**	**2020**
	%	**%**	**%**	**%**
Discount rate	2.1	-	2.2	-
Future salary increases	3.8	-	4.2	-
Future pension increases (CPI)	2.8	-	2.7	-
Inflation assumption (CPI)	2.8	-	2.7	-
Inflation assumption (RPI)	3.4	-	3.4	-

	LPFA		**LCPF**	
	2021	**2020**	**2021**	**2020**
	Years	**Years**	**Years**	**Years**
Longevity at age 65 for current pensioners				
- Men	21.5	-	21.9	-
- Women	23.7	-	24.6	-
Longevity at age 65 for future pensioners				
- Men	22.8	-	22.7	-
- Women	25.2	-	25.8	-

Sensitivity analysis
The sensitivity to principal assumptions used to measure the scheme liabilities are set out below:

	Approximate increase to defined benefit obligation			
	LPFA		**LCPF**	
	%	**£'000**	**%**	**£'000**
0.1% decrease in discount rate	3.2%	479	2.4%	562
0.1% increase in long-term salary increases	0.7%	108	0.6%	129
0.1% increase in pension increases	2.4%	368	2.5%	576
+1 year in life expectancy assumption	3.8%	575	2.9%	665

16. Share capital

	Number	**£'000**
Ordinary shares of £1 each Allotted, issued and fully paid		
At 1 April 2020	1	**-**
Issued during the year	6,999,999	7,000
At 31 March 2021	**7,000,000**	**7,000**

Notes to the Financial Statements Year Ended 31 March 2021

16. Share capital (continued)

On 27 May 2020, the Company issued £3,999,999 shares of £1 each at par to its parent, to support the growth, implement new strategy and better serve the clients of the Company.

On 8 March 2021, the Company issued further £3,000,000 shares of £1 each at par to its parent, to help operational cash flow payments including implementation of new accounting and administration system.

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

17. Related party transactions

In accordance with Section 33 of FRS102, the Company is exempt from disclosing related party transactions with other companies that are wholly owned within the Group.

18. Capital and other commitments

	2021	2020
	£'000	£'000
Contracts for future capital expenditure not provided in the Financial Statements	**1,584**	-

The contract for future capital expenditure not provided in the financial statements is connected to the replacement of the core pensions administration system which will be ongoing into 2022/23.

The company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

Payment due	**2021**	**2020**
	£'000	**£'000**
Not later than one year	176	-
Later than one year and not later than five years	123	-
Later than five years	-	-
Total	**299**	**-**

19. Controlling Party

The Company's immediate parent is Local Pensions Partnership Ltd, a company incorporated in the United Kingdom and registered in England and Wales. The ultimate controlling parties are London Pensions Fund Authority and Lancashire County Council. Local Pensions Partnership Ltd is the parent undertaking of the smallest and largest group to wholly consolidate these Financial Statements. These Financial Statements are available upon request from the Company Secretary, Local Pensions Partnership Ltd, 1 Finsbury Avenue. London. EC2M 2PF.

20. Post balance sheet events

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