# Local Pensions Partnership Administration Ltd

# Annual report and financial statements for the year ended 31 March 2023

LPP
Local Pensions Partnership
Administration

# Contents

# Company Information

## Directors

Alan Schofield
Charles Richard Thomas
Christopher Rule
Elizabeth Woolman
Joanne Darbyshire
Michael O'Donnell
Robert Branagh
Ron Jarman

### Registered Office

Level 2
Christ Church Precinct
County Hall Complex
Preston
PR1 8XJ

### Auditors

Grant Thornton UK LLP
30 Finsbury Square
London
EC2A 1AG

### Bankers

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

## Who are we?

With our head office in Preston, LPPA is the administration arm of Local Pensions Partnership Ltd (LPP). As one of the UK's leading pension administration companies, we support over 2,100 employers and 660,000 members of Local Government, Police and Firefighters' pension schemes.

## What do we do?

We help people make sense of their pension.
We provide pension administration support to members, employers and clients.
We resolve pension queries and make it easy for people to manage their pension.

## Our values

- **Committed to excellence**
  Every day, we do our best to make the pension process simple, straightforward and stress-free.

- **Forward thinking**
  With the help of market-leading knowledge, modern technology and a little creative thinking, we come up with new ways to make members' lives easier.

- **Doing the right thing**
  We put members at the heart of everything we do. We listen carefully to feedback, respond quickly to enquiries and go out of our way to make sure everything runs smoothly.

- **Working together**
  We work with 18 clients, 2,100 employers and 660,000 members to make pension administration easier.

# 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 2023. 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). LPP manages around £23bn of pension assets on behalf of three LGPS clients, with LPPA providing pensions administration services to public sector clients (10 Local Government Funds; 7 Fire Authorities and 1 Police Force).

Today LPPA provide pension administration services for circa 660,000 LGPS, Police and Firefighters' pension scheme members across over 2,100 employers.

## Strategic Direction

Within LPP's 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.

Activity across LPPA during 2022/23, the third year of the 5-year strategy, was dominated by Project PACE, implementing the new pension administration system. Despite an aggressive timeframe, the project was delivered on target and in line with the agreed budget. The new system followed a review undertaken in 2020 which highlighted a number of key risks, including the use of multiple systems which did not interface and a desire to achieve greater value for money. The new system, Universal Pensions Manager (UPM), was implemented over two phases during 2022-23. Due to the anticipated business disruption service level agreements with clients were relaxed during the implementation periods. From the start of 2023-24 LPPA is operating back in line with the usual service standards.

The Board have re-assessed the strategic deliverables for the coming year and no significant strategic shifts are anticipated.

LPPA has also agreed an LPPA Strategic Business Plan 2023-26 which focuses on delivering to client expectations and modernising the member and employer experience. An Efficiency and Service Improvement Plan (ESIP) will be rolled out to achieve the benefits from moving to the new pension administration system. LPPA continues to be acutely aware of the risks posed by cyber security threats and is seeking to build on the Cyber Essentials Plus accreditation. Staff training and development continues to be a priority.

## Employee Engagement and Representation

Business updates and organisational wide changes are communicated to employees through monthly online updates and half yearly events, which all staff attend in person. The Executive Leadership team welcome suggestions and questions from all employees through formal communication channels and informal discussions and is focused on the delivery of LPPA's people strategy which aims to create a great place to work.

LPPA fully supports agile working and has recently introduced a hybrid working model and moved to a new modern, open plan office in the heart of Preston which has been designed to facilitate collaborative and flexible working.

Employee surveys are carried out twice a year with a focus on various engagement drivers including culture, values, behaviour, health and wellbeing, staff rewards, personal development and training, health and safety and employee relations. A People Champion team has been created to provide valuable input to LPPA's people plans and to promote belonging, recognition, and reward at LPPA.

Wellbeing webinars are a regular feature to support physical and mental health wellbeing and include themes such as relaxation techniques, menopause awareness and the benefits of healthy lifestyle choices. The 'Spirit of LPPA' awards were launched in November 2021 and are now recognised annually to value and celebrate the work of employees and teams across the business.

### Diversity and Inclusion

LPPA has a diverse workforce which is reflective of the North-West of England which is where the company's head office is located. LPPA is committed to ensuring equality of opportunity and access in both its employment and service agreements.

As part of its commitment to diversity and inclusion (D&I), LPPA runs a dedicated survey, the most recent taking place in April 2023. This year the participation rate was 68% (compared to 78% in March 2022) and while the results demonstrate that LPPA remains a diverse and inclusive place to work, we are not complacent, and this remains an area of important focus for us.

The overall colleague population of LPPA for the period covered by the report highlighted that women make up 57% of the total workforce, while the Executive Leadership Team comprises 40% women.

## LPPA Board Governance

### Composition

The LPPA Board was chaired by Sir Peter Rogers until 1 August 2022 who finished his term with us on 31 August. From 1 August 2022 Ron Jarman took over as Chair. 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), Ron Jarman and Elizabeth Woolman.

On 1 August 2022, a non-Executive Director, Charles Thomas, was appointed, to maintain the structure of the board with Ron stepping into the role as Chair to maintain the strength and expertise to support the strategic direction LPPA is taking.

A further non-Executive Director, Michael O'Donnell has been appointed, with effect from 1 September 2023.

Executive Directors of the Board for 2022/23 were Jo Darbyshire and Chris Rule. The Director of Finance, People & Culture, Abigail Leech and Director of Strategy, Change & Governance, Greg Smith were invited to attend every meeting.
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### 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 2022/23 the main risk which was managed was the transition of the Pension Administration system.

This report was approved by the Board and signed by its order on 13 September 2023.

Jo Darbyshire

Joanne Darbyshire
Director

# Report of the Directors

The Directors present their report and financial statements for the year ended 31 March 2023.

### Directors

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

| | |
|---|---|
| Alan Schofield | |
| Charles Richard Thomas | (Appointed from 1 August 2022) |
| Christopher Rule | |
| Elizabeth Woolman | |
| Joanne Darbyshire | |
| Michael O'Donnell | (Appointed from 1 September 2023) |
| Peter Rogers | (Resigned from 31 July 2022) |
| Robert Branagh | |
| Ron Jarman | |

### Results and dividends

The trading result for the Company for the year to 31 March 2023 is a loss after tax of £2,655k (2021/22 £2,314k). No dividends were paid during the year (2021/22 - £nil).

### Capital

As at 31 March 2023, LPPA has an issued share capital of 7 million ordinary shares of £1 per share.

### Going concern

The Company's income is mainly generated through providing pensions administration to clients through shared services agreements which have 18-month termination clauses. These agreements are centred around a full cost recovery model, with the exception of one client who agreed a step up in fee in the year ended 31 March 2023. Fees are agreed with clients annually as part of the annual budget process and reviewed quarterly with clients.

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 (2022/23 - £nil). No charitable donations were made during the year (2021/22 - £nil).

### 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 13 September 2023.

Jo 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 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 to the members of Local Pensions Partnership Administration Ltd

We have audited the financial statements of Local Pensions Partnership Administration Ltd (the 'company') for the year ended 31 March 2023, 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 2023 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 the ongoing conflict in Ukraine, rising interest rates, and inflationary pressure. 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.

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.

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.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 themselves. 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report 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 directors' report.

## 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

As explained more fully in the directors' responsibilities statement, 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.

## 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 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 identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with the directors and management. We determined that the most significant laws and regulations were United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006;
- We enquired of the directors and management to obtain an understanding of how the Company is complying with those legal and regulatory frameworks and whether there were any instances of non-compliance with laws and regulations and whether they had any knowledge of actual or suspected fraud. We corroborated

the results of our enquiries through our review of the minutes of the Company's board and audit and risk committee meetings;

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by evaluating management's incentives and opportunities for manipulation of the financial statements. This included an evaluation of the risk of management override of controls. Audit procedures performed by the engagement team in connection with the risks identified included:
  - evaluation of the design and implementation of controls that management has put in place to prevent and detect fraud;
  - testing journal entries, including manual journal entries processed at the year-end for financial statements preparation; and
  - challenging the assumptions and judgements made by management in its significant accounting estimates.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery, or intentional 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 engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of 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 Company operates; and
  - understanding of the legal and regulatory frameworks applicable to the Company.

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.

## 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, BSc FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
**London**
**13 September 2023**

# Profit and Loss Account
## For the year ended 31 March

| | Notes | 2023 | 2022 |
|---|---|---|---|
| | | £'000 | £'000 |
| Turnover | 6 | 16,156 | 14,716 |
| Administrative expenses | 7 | (18,962) | (17,029) |
| **Operating Loss** | 8 | **(2,806)** | **(2,313)** |
| Interest payable | | (2) | (2) |
| Tax credit for the year | 10 | 153 | 1 |
| **Loss for the financial year** | | **(2,655)** | **(2,314)** |

# Statement of Comprehensive Income
## For the year ended 31 March

| | Notes | 2023<br>£'000 | 2022<br>£'000 |
|---|---|---|---|
| **Loss for the financial year** | | **(2,655)** | **(2,314)** |
| **Other comprehensive income** | | | |
| Remeasurement of defined benefit obligation | 15 | 20,480 | 3,887 |
| **Other comprehensive income for the year** | | 20,480 | **3,887** |
| **Total comprehensive income for the year** | | **17,825** | **1,573** |

# Balance Sheet

## As at 31 March

| | Notes | 2023 | 2022 |
|---|---|---|---|
| | | **£'000** | **£'000** |
| **Fixed assets** | | | |
| Intangible assets | 11 | 3,439 | 2,628 |
| Tangible assets | 12 | 120 | 138 |
| | | 3,559 | 2,766 |
| Debtors: amounts receivable after more than one year | 13 | 186 | - |
| **Total long term assets** | | **3,745** | **2,766** |
| **Current assets** | | | |
| Debtors | 13 | 4,797 | 4,337 |
| Cash at bank and in hand | | 847 | 881 |
| | | 5,644 | 5,218 |
| Creditors: amounts falling due within one year | 14 | (2,196) | (2,102) |
| **Net current assets** | | **3, 448** | **3,116** |
| **Total assets less current liabilities** | | **7,193** | **5,882** |
| Creditors: amounts falling due after more than one year | 14 | (1,300) | - |
| Post-employment benefits | 15 | 1,669 | (16,145) |
| **Net assets / (liabilities)** | | **7,562** | **(10,263)** |
| **Capital and reserves** | | | |
| Share capital | 16 | 7,000 | 7,000 |
| Capital reserve | 17 | - | 300 |
| Retained earnings | 17 | 562 | (17,563) |
| **Total equity** | | **7,562** | **(10,263)** |

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 13 September 2023 and were signed on its behalf on the same date by:

Jo Darbyshire

Joanne Darbyshire

Director

# Statement of changes in equity

| | Notes | Share capital | Capital reserve | Retained earnings | Total |
|---|---|---|---|---|---|
| | | **£'000** | **£'000** | **£'000** | **£'000** |
| **Balance as at 1 April 2021** | | 7,000 | - | (19,136) | **(12,136)** |
| Loss for the year | | - | - | (2,314) | **(2,314)** |
| Other comprehensive income for the year | 15 | - | - | 3,887 | **3,887** |
| Total comprehensive income for the year | | **-** | **-** | 1,573 | **1,573** |
| Contribution from parent undertaking | | - | 300 | - | **300** |
| Total transactions with owners, recognised directly in equity | | - | 300 | 1,573 | **1,873** |
| **Balance as at 31 March 2022** | | **7,000** | **300** | **(17,563)** | **(10,263)** |
| **Balance as at 1 April 2022** | | **7,000** | **300** | **(17,563)** | **(10,263)** |
| Loss for the year | | **-** | **-** | (2,655) | **(2,655)** |
| Other comprehensive income for the year | 15 | - | - | 20,480 | **20,480** |
| Total comprehensive income for the year | | **-** | **-** | 17,825 | **17,825** |
| Transfer of capital reserve to retained earnings | 17 | **-** | (300) | 300 | **-** |
| Total transactions with owners, recognised directly in equity | | **-** | **(300)** | **18,125** | **17,825** |
| **Balance as at 31 March 2023** | | **7,000** | **-** | **562** | **7,562** |

# Notes to the Financial Statements Year Ended 31 March 2023

## 1. Introduction

The Company is part of the Local Pensions Partnership Group of Companies and 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 eighteen 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 Level 2, Christ Church Precinct, County Hall Complex, Preston PR1 8XJ.

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.

## 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 available under FRS 102, which the shareholder has been informed about:

- the requirement to present a statement of cash flows and related notes
- the requirement to disclose related party transactions
- the requirement to disclose key management compensation

## 3. Going concern

After making enquiries in relation to the Company's forecasts and projects, 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, from whom the Company drew down £1.3m loan funding in March 2023. The total facility, in place since 2020, is £3m. If required LPP 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.

## 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.

### (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 to 5 years

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

# Notes to the Financial Statements Year Ended 31 March 2023

## Basis of presentation and significant accounting policies

### 4. Summary of significant accounting policies

### (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 | 3 to 5 years |
| • 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.

### (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.

# Notes to the Financial Statements Year Ended 31 March 2023

## Basis of presentation and significant accounting policies

### 4. Summary of significant accounting policies

### (i) Taxation (continued)

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. With the exception of the loan due to LPP, these receivables are short-term in nature hence the carrying amount is the same as the fair value.

### (m) 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.

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.

# Notes to the Financial Statements Year Ended 31 March 2023

## Basis of presentation and significant accounting policies

### 4. Summary of significant accounting policies

### (m) Employee benefits (continued)

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.

### (n) Annual bonus plan

The Company operates an annual bonus scheme for eligible 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.

### (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.

### 6. Analysis of turnover

| | 2022/23 | 2021/22 |
|---|---|---|
| | £'000 | £'000 |
| Pensions administration | 16,156 | 14,716 |
| Total | 16,156 | 14,716 |
| Geographical analysis | | |
| UK | 16,156 | 14,716 |

# Notes to the Financial Statements Year Ended 31 March 2023

## 7. Administrative expenses

| | 2022/23 | 2021/22 |
|---|---|---|
| | £'000 | £'000 |
| Wages and salaries | 9,781 | 8,365 |
| Social security costs | 993 | 813 |
| Defined benefit pension costs | 1,234 | 1,094 |
| Other pension costs | 2,667 | 2,346 |
| Staff costs | 14,675 | 12,618 |
| Legal fees | 27 | 24 |
| Other non-staff costs | 3,836 | 3,793 |
| Group recharges – staff | 210 | 75 |
| Group recharges – non staff | 214 | 519 |
| **Administrative expenses charged to profit and loss** | **18,962** | **17,029** |

## 8. Operating loss

| | 2022/23 | 2021/22 |
|---|---|---|
| Operating loss is stated after charging: | £'000 | £'000 |
| Staff costs charged to profit and loss | 14,675 | 12,618 |
| Accelerated depreciation of tangible assets | 2 | 6 |
| Impairment of trade receivables | 2 | 15 |
| Operating lease charges | 125 | 158 |
| Internal auditor's remuneration | (6) | 28 |

| Included within administration expenses are: | 2022/23 | 2021/22 |
|---|---|---|
| | £'000 | £'000 |
| **Audit services:** | | |
| Audit fees payable to the Company's auditors for the statutory audit | 31 | 28 |

The average number of employees (including Directors) employed by the Company during the year was 274. (2021/22: 268)

## 9. Directors' emoluments

| | 2022/23 | 2021/22 |
|---|---|---|
| The Directors' emoluments were as follows: | £'000 | £'000 |
| Aggregate remuneration | 408 | 346 |

One Director is a member of a defined benefit pension scheme (2021/22: 1)

| | 2022/23 | 2021/22 |
|---|---|---|
| Highest paid Director (included in the above figures) | £'000 | £'000 |
| Total amount of emoluments | 249 | 204 |
| Other pension costs | 33 | 31 |
| **Total** | 282 | 235 |

In addition to the above, which reflects the LPPA payroll, £51k was paid through LPP and LPPI payroll (2021/22: £44k).and subsequently recharged to LPPA. This is included within LPPA reported operating expenses together with a share of Group board costs (£40k, 2021/22:£31k).

# Notes to the Financial Statements Year Ended 31 March 2023

## 10. Taxation

| Analysis of credit in year | 2022/23 £'000 | 2021/22 £'000 |
|---|---|---|
| Current tax: | | |
| Adjustments in respect of previous years | (22) | 173 |
| Forward group relief | - | (76) |
| UK Corporation tax credit on loss for the year | (131) | (98) |
| **Tax credit in the profit and loss account** | **(153)** | **(1)** |

### Reconciliation of tax charge

| The differences between the tax assessed for the year and the standard rate of corporation tax are explained as follows: | 2022/23 £'000 | 2021/22 £'000 |
|---|---|---|
| Loss before tax | (2,808) | (2,315) |
| Loss multiplied by standard rate of corporate tax in the UK of 19% | (533) | (440) |
| Effects of: | | |
| - Unrecognised deferred tax | 332 | 251 |
| - Expenses not deductible for tax purposes | 70 | 91 |
| - Adjustment to tax charge in respect of prior years | (22) | 173 |
| Forward group relief | - | (76) |
| **Tax credit for the year** | **(153)** | **(1)** |

The Finance Act 2021 will increase the rate of corporation tax to 25% with effect from 1 April 2023. Deferred tax has not been recognised on the deferred tax asset as it is not probable that future taxable profits will be available. The unrecognised deferred tax asset at 31 March 2023 is £804k.

## 11. Intangible assets

| | Assets under Construction £'000 | Software £'000 | Total £'000 |
|---|---|---|---|
| **Cost** | | | |
| **At 1 April 2022** | 87 | 2,661 | **2,748** |
| Additions | 1,169 | - | **1,169** |
| Transfers from assets under construction to software | (1,256) | 1,256 | **-** |
| **At 31 March 2023** | **-** | **3,917** | **3,917** |
| **Accumulated amortisation** | | | |
| **At 1 April 2022** | - | 120 | **120** |
| Amortisation during the year | - | 358 | **358** |
| **At 31 March 2023** | **-** | **478** | **478** |
| **Net book value at 1 April 2022** | **87** | **2,541** | **2,628** |
| **Net book value at 31 March 2023** | **-** | **3,439** | **3,439** |

# Notes to the Financial Statements Year Ended 31 March 2023

## 12. Tangible Assets

| | IT equipment | Total |
|---|---|---|
| | £'000 | £'000 |
| Cost | | |
| **At 1 April 2022** | 200 | **200** |
| Additions | 55 | **55** |
| Disposals | (6) | **(6)** |
| **At 31 March 2023** | 249 | **249** |
| | | |
| Depreciation | | |
| **At 1 April 2022** | 62 | **62** |
| Depreciation for the year | 71 | **71** |
| On disposals | (4) | **(4)** |
| **At 31 March 2023** | 129 | **129** |
| | | |
| **Net book value at 1 April 2022** | **138** | **138** |
| **Net book value at 31 March 2023** | **120** | **120** |

## 13. Debtors: amounts due within one year

| | 31 Mar 23 | 31 Mar 22 |
|---|---|---|
| | £'000 | £'000 |
| Trade debtors | 3,412 | 3,176 |
| Amounts owed by Group undertakings | 172 | - |
| Prepayments and accrued income | 1,213 | 1,161 |
| **Total** | **4,797** | **4,338** |

Trade debtors are stated after provisions for impairment of £26,257 (2022: £23,899).
Amounts owed by Group undertakings are unsecured, interest free and are repayable on demand.

### Debtors: amounts due after more than one year

| | 31 Mar 23 | 31 Mar 22 |
|---|---|---|
| | £'000 | £'000 |
| Accrued income | 186 | - |
| **Total** | **186** | **-** |

Accrued income due after more than one year comprises amounts due from clients to recover costs incurred in 2022/23. Agreement is in place for the income to be invoiced and paid over three years commencing 1 April 2024.

## 14. Creditors: amounts falling due within one year

| | 31 Mar 23 | 31 Mar 22 |
|---|---|---|
| | £'000 | £'000 |
| Trade creditors | 369 | 455 |
| Amounts owed to Group undertakings | 418 | 254 |
| Other taxation and social security | 234 | 217 |
| Other creditors | 392 | 166 |
| Accruals and deferred income | 783 | 1,011 |
| **Total** | **2,196** | **2,102** |

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

# Notes to the Financial Statements Year Ended 31 March 2023

### Creditors: amounts falling due after more than one year

| | 31 Mar 23 | 31 Mar 22 |
|---|---|---|
| | £'000 | £'000 |
| Intra-group loan | 1,300 | - |
| **Total** | **1,300** | **-** |

In March 2023, a loan of £1.3m was drawn down under the June 2020 Facility Agreement between LPP and LPPA. The loan is repayable on 31 May 2030, or such other date as is agreed between the parties and is interest bearing at a commercial rate of 4.25% per annum.

## 15. Post-employment benefits

### Defined benefit schemes

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 13.4% and 15.4% of salary p.a. The liabilities of the LGPS attributable to the Company are included in the Statement of Financial Position and are in line with the most recent comprehensive actuarial valuation carried out by the Fund's independent actuaries as at 31 March 2022..

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;
- 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 | |
|---|---|---|---|---|---|---|
| | 31 Mar 23 | 31 Mar 22 | 31 Mar 23 | 31 Mar 22 | 31 Mar 23 | 31 Mar 22 |
| **Reconciliation of fair value of plan assets** | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Fair value of plan assets | 7,351 | 7,621 | 22,092 | 18,285 | 29,443 | 25,906 |
| Defined benefit obligation | (8,293) | (15,063) | (19,481) | (26,988) | (27,774) | (42,051) |
| **Net defined benefit (liability) /asset** | **(942)** | **(7,442)** | **2,611** | **(8,703)** | **1,669** | **(16,145)** |

# Notes to the Financial Statements Year Ended 31 March 2023

## 15. Post-employment benefits (continued)

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

| | LPFA | | LCPF | | TOTAL | |
|---|---|---|---|---|---|---|
| | 31 Mar 23 | 31 Mar 22 | 31 Mar 23 | 31 Mar 22 | 31 Mar 23 | 31 Mar 22 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Defined benefit obligation at start of year** | 15,063 | 15,082 | 26,988 | 23,190 | 42,051 | 38,272 |
| Current service cost | 651 | 825 | 2,627 | 2,266 | 3,278 | 3,091 |
| Benefits (received) / paid | (640) | (45) | (69) | 480 | (709) | 435 |
| Contributions by employees | 113 | 115 | 486 | 427 | 599 | 542 |
| Interest cost | 377 | 310 | 760 | 519 | 1,137 | 829 |
| Curtailments | - | - | 72 | - | 72 | - |
| Liabilities assumed on settlements | 304 | - | - | - | 304 | - |
| **Remeasurements** | | | | | | |
| Effect of changes in financial assumptions | (7,762) | (1,246) | (14,966) | (667) | (22,728) | (1,913) |
| Effect of changes in demographic assumptions | (458) | - | (631) | 713 | (1,089) | 713 |
| Effect of experience adjustments | 645 | 22 | 4,214 | 60 | 4,859 | 82 |
| **Defined benefit obligation at end of year** | **8,293** | **15,063** | **19,481** | **26,988** | **27,774** | **42,051** |

| | LPFA | | LCPF | | TOTAL | |
|---|---|---|---|---|---|---|
| | 31 Mar 23 | 31 Mar 22 | 31 Mar 23 | 31 Mar 22 | 31 Mar 23 | 31 Mar 22 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Fair value of plan assets at beginning of year** | 7,621 | 6,302 | 18,285 | 14,284 | 25,906 | 20,586 |
| Benefits paid/(received) | (640) | (45) | (69) | 480 | (709) | 435 |
| Interest income on scheme assets | 190 | 132 | 534 | 335 | 724 | 467 |
| Administrative expenses and taxes | (2) | (8) | (43) | (37) | (45) | (45) |
| Employer contributions | 191 | 196 | 1161 | 956 | 1,352 | 1,152 |
| Contributions by employees | 113 | 115 | 486 | 427 | 599 | 542 |
| Settlement prices received | 94 | - | - | - | 94 | - |
| **Remeasurements** | | | | | | |
| Return on scheme assets less interest income | (92) | 929 | 1,738 | 1,840 | 1,646 | 2,769 |
| Actuarial gains/(losses) | (124) | - | - | - | (124) | - |
| **Fair value of plan assets at end of year** | **7,351** | **7,621** | **22,092** | **18,285** | **29,443** | **25,906** |

| | LPFA | | LCPF | | TOTAL | |
|---|---|---|---|---|---|---|
| | 31 Mar 23 | 31 Mar 22 | 31 Mar 23 | 31 Mar 22 | 31 Mar 23 | 31 Mar 22 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Analysis of assets** | | | | | | |
| Equities | 3,700 | 3,653 | 10,539 | 8,790 | 14,239 | 12,444 |
| Diversifying strategies | 639 | 809 | 243 | 172 | 882 | 981 |
| Property | 714 | 684 | 2,275 | 1,887 | 2,989 | 2,571 |
| Infrastructure | 919 | 776 | 3,446 | 2,083 | 4,366 | 2,859 |
| Credit funds | 721 | 621 | 3,203 | 2,447 | 3,924 | 3,068 |
| Private equity | 573 | 685 | 1,834 | 1,507 | 2,406 | 2,192 |
| Fixed income | 76 | 211 | 309 | 795 | 385 | 1,006 |
| Cash / liquidity | 9 | 182 | 243 | 603 | 252 | 785 |
| **Total assets** | **7,351** | **7,621** | **22,092** | **18,285** | **29,443** | **25,906** |

# Notes to the Financial Statements Year Ended 31 March 2023

## 15. Post-employment benefits (continued)

**Defined benefit costs recognised in profit and loss**

| | LPFA | | LCPF | | TOTAL | |
|---|---|---|---|---|---|---|
| | 2022/23 | 2021/22 | 2022/23 | 2021/22 | 2022/23 | 2021/22 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Current service cost | 651 | 825 | 2,627 | 2,266 | 3,278 | 3,091 |
| Net interest on defined liability | 187 | 178 | 226 | 184 | 413 | 362 |
| Administrative expenses and taxes | 2 | 8 | 43 | 37 | 45 | 45 |
| Net liabilities assumed on settlements | 210 | - | - | - | 210 | - |
| Effect of curtailments | - | - | 72 | - | 72 | - |
| **Total costs** | **1,050** | **1,011** | **2,968** | **2,487** | **4,018** | **3,498** |

**Defined benefit costs recognised in other comprehensive income**

| | LPFA | | LCPF | | TOTAL | |
|---|---|---|---|---|---|---|
| | 2022/23 | 2021/22 | 2022/23 | 2021/22 | 2022/23 | 2021/22 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Return on scheme assets less interest income | 92 | (929) | (1,738) | (1,840) | (1,646) | (2,769) |
| Other actuarial gains / (losses) | 124 | - | - | - | 124 | - |
| Effect of changes in financial assumptions | (7,762) | (1,246) | (14,966) | (667) | (22,728) | (1,913) |
| Effect of changes in demographic assumptions | (458) | - | (631) | 713 | (1,089) | 713 |
| Effect of experience adjustments | 645 | 22 | 4,214 | 60 | 4,859 | 82 |
| **Other comprehensive income** | **(7,359)** | **(2,153)** | **(13,121)** | **(1,734)** | **(20,480)** | **(3,887)** |

| **Reconciliation of funded position** | **LPFA** | **LPCF** | **TOTAL** |
|---|---|---|---|
| | **£'000** | **£'000** | **£'000** |
| Net defined benefit liability at start of the period | (7,442) | (8,703) | (16,145) |
| Expense recognised in profit and loss | (1,050) | (2,968) | (4,018) |
| Gain recognised in other comprehensive income | 7,359 | 13,121 | 20,480 |
| Contributions by the Company | 191 | 1,161 | 1,352 |
| **Net defined benefit (liability)/asset at end of the year** | **(942)** | **2,611** | **1,669** |

# Notes to the Financial Statements Year Ended 31 March 2023

## 15. Post-employment benefits (continued)

| | LPFA | | LCPF | |
|---|---|---|---|---|
| The principal actuarial assumptions used were as follows: | **31 Mar 23** | **31 Mar 22** | **31 Mar 23** | **31 Mar 22** |
| | **%** | **%** | **%** | **%** |
| Discount rate | 4.8 | 2.6 | 4.7 | 2.8 |
| Future salary increases | 3.9 | 4.1 | 4.2 | 4.7 |
| Increase in pensions in payment / deferment | 2.9 | 3.1 | 2.8 | 3.3 |
| Inflation assumption (CPI) | 2.9 | 3.1 | 2.7 | 3.3 |

| | LPFA | | LCPF | |
|---|---|---|---|---|
| | **31 Mar 23** | **31 Mar 22** | **31 Mar 23** | **31 Mar 22** |
| | **Years** | **Years** | **Years** | **Years** |
| **Longevity at age 65 for current pensioners** | | | | |
| - Men | 20.7 | 21.6 | 21.5 | 22.3 |
| - Women | 22.9 | 23.8 | 23.8 | 25.0 |
| **Longevity at age 65 for future pensioners** | | | | |
| - Men | 22.4 | 22.9 | 22.8 | 23.7 |
| - Women | 25.1 | 25.3 | 25.6 | 26.8 |

**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 | 2.5 | 206 | 2.3 | 449 |
| 0.1% increase in long-term salary increases | 0.5 | 45 | 0.4 | 86 |
| 0.1% increase in pension increases | 2.0 | 165 | 2.4 | 468 |
| +1 year in life expectancy assumption | 2.7 | 223 | 1.9 | 374 |

## 16. Share capital

| | **Number** | **£'000** |
|---|---|---|
| Ordinary shares of £1 each Allotted, issued and fully paid | | |
| **At 1 April 2022** | 7,000,000 | **7,000** |
| Issued during the year | - | - |
| **At 31 March 2023** | **7,000,000** | **7,000** |

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

## 17. Reserves

**Capital reserve -** The TUPE transfer of staff from LPP to LPPA in 2020 was assessed as 98% funded, leaving a £300k shortfall. During 2020/21 LPP made an additional investment to compensation for the shortfall. This was recorded as a capital reserve at 31 March 2022. An amount equivalent to deficit contributions recognised in the profit and loss account for the year ended 31 March 2023 was transferred to retained earnings during the year. The balance of the reserve was transferred to retained earnings following the 2022 actuarial valuation which concluded that there was no longer a net defined liability attributable to LPPA membership of the scheme.

# Notes to the Financial Statements Year Ended 31 March 2023

## 18. 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.

## 19. Capital and other commitments

| | 31 Mar 23 | 31 Mar 22 |
|---|---|---|
| | £'000 | £'000 |
| Promissory note issued to Lancashire County Council | **178** | **822** |

LPPA issued a promissory note to Lancashire County Council (LCC) on 23 March 2023 in the sum of £178,400 + VAT. Payable on demand, the promissory note would only become due in the event that LPPA and LCC did not enter into a lease of premises located at Christ Church Precinct, County Hall, Preston by 1 June 2023. The promissory note ceased to have effect when a ten-year lease was signed on 1 June 2023.

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

| Payment due | 31 Mar 23 | 31 Mar 22 |
|---|---|---|
| | £'000 | £'000 |
| Not later than one year | 34 | 125 |
| Later than one year and not later than five years | - | 171 |
| **Total** | **34** | **296** |

The Company does not have any non-cancellable operating lease payments due after more than 1 year. Notice served to terminate Norwest Court leases on 31 December 2022. No lease agreement in place for Christ Church Precinct as at 31 March 2023.

## 20. 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.

## 21. Post balance sheet events

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