Lancashire County Council

Pension Fund Committee

Friday, 25th November, 2022 at 10.30 am in Committee Room 'A' - The Tudor Room, County Hall, Preston

Note – The meeting will be preceded by a private briefing for Committee members by Mr W Bourne, Chair of the Lancashire Local Pension Board, starting at 10.00am in the same room.

Agenda

Part I (Open to Press and Public)

No.	Item	
1.	**Welcome and Apologies**	
2.	**Disclosure of Pecuniary and Non-Pecuniary Interests** Members are asked to consider any Pecuniary and Non-Pecuniary Interests they may have to disclose to the meeting in relation to matters under consideration on the Agenda.	
3.	**Minutes of the last Meeting.** To be confirmed and then signed by the Chair.	(Pages 1 - 8)
4.	**Lancashire County Pension Fund - External Audit Findings Report 2021/22**	(Pages 9 - 36)
5.	**Local Pensions Partnership Annual Report and Accounts**	(Pages 37 - 90)
6.	**Budget Monitoring Q2 - 2022/23**	(Pages 91 - 96)
7.	**Feedback from members of the Committee on pension related training.**	(Pages 97 - 100)
8.	**Responsible Investment Report**	(Pages 101 - 130)
9.	**Urgent Business** An item of urgent business may only be considered under this heading where, by reason of special circumstances to be recorded in the Minutes, the Chair of the meeting is of the opinion that the item should be considered at the meeting as a matter of urgency. Wherever possible, the Chief Executive should be given advance warning of any Member's intention to raise a matter under this heading.	
10.	**Programme of meetings 2023/24** The Committee is asked to note the 2023/24 programme of	

meetings set out below, as approved by full Council in October 2022. All meetings will be held at County Hall, starting at 10.30am.
Friday 16th June 2023
Friday 15th September 2023
Friday 24th November 2023
Friday 8th March 2024

11. Date of Next Meeting
The next meeting will be held at 10.30am on 10th March 2023 in Committee Room 'C' – The Duke of Lancaster Room at County Hall, Preston.

12. Exclusion of Press and Public
The Committee is asked to consider whether, under Section 100A(4) of the Local Government Act, 1972, it considers that the press and public should be excluded from the meeting during consideration of the following items of business on the grounds that there would be a likely disclosure of exempt information as defined in the appropriate paragraph of Part 1 of Schedule 12A to the Local Government Act, 1972, as indicated against the heading to the item.

Part II (Not open to Press and Public)

13. Draft Funding Strategy Statement (Pages 131 - 190)

14. Local Pensions Partnership Update (Pages 191 - 240)

15. Investment Context Report (Pages 241 - 254)

16. Investment Performance Report (Pages 255 - 284)

Local Pension Partnership representatives to leave the meeting at this point.

17. Investment Panel Report (Pages 285 - 294)

18. LPP Governance Review (Pages 295 - 296)

19. Lancashire County Pension Fund - Risk Register (Pages 297 - 328)

20. Lancashire Local Pension Board Recruitment (Pages 329 - 332)

L Sales
Director of Corporate Services

County Hall
Preston

Lancashire County Council

Pension Fund Committee

Minutes of the Meeting held on Friday, 16th September, 2022 at 10.30 am in Committee Room 'A' - The Tudor Room, County Hall, Preston

Present:

County Councillor E Pope (Chair)

County Councillors

M Brown	A Schofield
M Clifford	M Tomlinson
F De Molfetta	D Westley
S Holgate	R Woollam

Co-opted members

Councillor D Borrow, City and Borough Councils
Councillor M Dad, City and Borough Councils
Ms J Eastham, Further Education/Higher Education Institutions
Mr P Crewe, Trade Unions

In attendance:

Mr S Greene, Head of Pension Fund, Lancashire County Council.
Mr M Wilson FIA, Senior Associate, Mercers.
Ms A Devitt, Independent Investment Adviser.
Ms M George Independent Investment Adviser.
Ms L Sales, Director of Corporate Services, Lancashire County Council.
Mr M Neville, Senior Democratic Services Officer, Lancashire County Council.
Mr C Rule, Chief Executive, Local Pensions Partnership.
Mr G Smith, Director of Strategy, Local Pensions Partnership.
Ms J Darbyshire, Director of Administration, Local Pensions Partnership.
Mr W Bourne, Chair of the Lancashire Local Pension Board.

1. Welcome and Apologies

The Chair welcomed everyone to the meeting and invited those present to join him in a Minute silence in memory of Her Majesty Queen Elizabeth the Second.

Apologies for absence were received from County Councillors A Gardiner and H Hartley together with Co-opted members Councillor E Whittingham and Ms S Roylance. It was also noted that Councillor D Borrow would be attending the meeting but had been slightly delayed.

2. Disclosure of Pecuniary and Non-Pecuniary Interests

No disclosures of Pecuniary/Non-Pecuniary interest in relation to items on the agenda were made at this point in the meeting.

3. Minutes of the last meeting and approved Terms of Reference.

Mr Neville, Senior Democratic Services Officer, reported that since the last meeting confirmation had been received that Co-opted members Councillor M Smith, Councillor D Borrow and Councillor M Dad had all been formally appointed to the Committee. He also reported that the updated Terms of Reference of the Committee had been approved by full Council on 14th July 2022 and a copy placed in the Minute Book for future reference.

Resolved: That the Minutes of the meeting held on 17th June 2022 are confirmed as an accurate record and signed by the Chair.

4. Lancashire County Pension Fund - Regulatory Update

The Head of Fund presented a report which updated the Committee on two key regulatory developments relating to pensions – the Pensions Dashboard and implementation of the McCloud judgement.

The Committee noted that further information regarding the Dashboard would be presented to members of the Committee/Pension Board as part of a technical update by the Local Pensions Partnership at a workshop to be held at 10.00am on Monday 5th December 2022 in The Exchange at County Hall, Preston.

Resolved: That the updates on the Pensions Dashboard and implementation of the McCloud judgement, as set out in the report presented, and discussed at the meeting, are noted.

5. Budget Monitoring Q1 - 2022/23

The Committee considered a report on the income and expenditure of the Fund for the 3-month period up to 30th June 2022 which included a forecast for the financial year ending 31st March 2023. In response to a query on investment management fees the Head of Fund reported that such fees were directly linked to the value of the Fund's assets which during the year to date had decreased, resulting in lower-than-expected management fees. However, it was noted that this was not unusual for Q1 and the forecast for fees for the year end was not altered.

Resolved: That the financial performance of the Fund for the 3 months up to 30th June 2022, together with the budget and forecast variances, as set out in the report presented, are noted.

6. Audit Update

The Head of Fund presented a report to update the Committee on the issues of materiality and the Fund's approach to the handling of overpayments, in response to points raised at the last meeting. Regarding overpayments it was noted that the Fund would continue to work with Local Pensions Partnership Administration Ltd on communications aimed at minimising future overpayments following the death of scheme members. It was also reported that in future a monitoring report on the write offs of overpayments would be presented annually to the Committee for information.

Resolved: That the report is noted, and that in future the Committee receive a monitoring report annually regarding the management of write offs of historic overpayments.

7. Lancashire County Pension Fund Annual Report 2021/22

The Committee considered a report on the draft Lancashire County Pension Fund Annual Report for the year ended 31st March 2022 which included the statement of accounts (within the Lancashire County Council Statement of Accounts) as approved by the Audit, Risk and Governance Committee.

The Head of Fund reported that text in the Foreword to the Annual Report would be amended to read 'Since we began pooling in 2016, £40.3m worth of savings have been achieved within the Fund' to clarify the level of savings achieved. It was also suggested that some text in the Responsible Investment section relating to the depletion of natural resources be reviewed and amended. It was further reported that a summary document (highlighting key areas of activity and performance) would be produced for circulation to scheme members and employers once the Annual Report was published, possibly complimented by an animation on the Fund website explaining the key messages from the Annual Report and performance of the Fund.

On behalf of the Committee the Chair thanked the Head of Fund and his team for their work on producing the draft Annual Report.

Resolved: That, subject to any minor amendments, an updated audit opinion and small account updates to be agreed by the Head of Fund, the Annual Report set out at Appendix 'A' to the report presented, is approved for publication on or before 1st December 2022.

8. Responsible Investment Report

The Committee considered a detailed update report from Local Pensions Partnership Investments Limited on responsible investment activity during Q2 of 2022 (April to June).

In response to a query Mr Rule, Chief Executive of the Local Pensions Partnership, confirmed that the Company was committed to achieving net zero emissions by 2050 and was already working towards an interim target for 2030

The Chair informed the meeting that the report author, Mr Master from the Pensions Team, would be leaving the County Council shortly and thanked him for his work in supporting the Fund.

Resolved: That the report is noted.

9. Feedback from members of the Committee on pension related training.

A report was presented on four internal training workshops which had taken place since the last meeting and County Councillor De Molfetta reported that he had found recent workshops informative and helpful. The Chair reminded the Committee that the Local Pensions Partnership Investment Conference would be held on the 1st /2nd March 2023 in London and asked that further details be circulated to Committee members outside of the meeting.

Resolved: That the report and feedback given at the meeting is noted and that further information regarding the Local Pensions Partnership Investment Conference on the 1st /2nd March 2023 be circulated to Committee members outside of the meeting.

10. Urgent Business

No items of urgent Business were raised at the meeting under this heading.

11. Date of Next Meeting

The next scheduled meeting will be held on 26th November 2022 in Committee Room 'A' – the Tudor Room at County Hall, Preston starting at 10.30am, preceded by a briefing at 10.00am on the work of the Local Pension Board.

12. Exclusion of Press and Public

Resolved: That the press and public be excluded from the meeting during consideration of the following items of business on the grounds that there would be a likely disclosure of exempt information as defined in the appropriate paragraphs of Part 1 of Schedule 12A to the Local Government Act, 1972, as indicated against the heading of each item. It is considered that in all the circumstances the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

13. 2022 Actuarial Valuation

Exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It was considered that in all the circumstances of the case the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

The Head of Fund and Mr M Wilson FIA, Senior Associate from Mercers updated the Committee on progress to date in relation to the actuarial valuation, including a timetable for presenting updated documents/policies to the Committee for approval

An updated version of the Employer Risk Policy was presented at the meeting for consideration, and it was reported that the Funding Strategy Statement would be presented to the next meeting.

Resolved: That the report is noted and the Employer Risk Policy, as set out at Appendix 'A' to the report presented, is approved.

14. Project PACE

Exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It was considered that in all the circumstances of the case the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

Ms J Darbyshire, Director of Administration from the Local Pensions Partnership Administration Ltd updated the Committee on progress regarding the implementation of a new pensions administration system (Project PACE). She reported that whilst there had been some issues, Phase 1 of the Project had gone well, and those Funds included in Phase 2 (including Lancashire) would benefit from the experience gained.

An update was also provided on other pension system changes due to take place in the forthcoming months that would interact with the new pensions admin system, and it was noted that whilst LPPA staff and the Pension Fund Team had collaborated on the project, substantial work still needed to take place ahead of the 28th October 2022 'go live' date for Lancashire.

Resolved: That the updates regarding the implementation of Project PACE and other pension system changes are noted.

15. Local Pensions Partnership Update

Exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It was considered that in all the circumstances of the case the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

Mr G Smith, Director of Strategy from the Local Pensions Partnership presented a report on activity by the Group which included updates on governance, strategy, and finance. The Committee discussed performance by the pension administration service and recognised the initial impact resulting from implementation of Phase 1 of Project PACE.

Resolved: That the updates on the activity and financial position of the Local Pensions Partnership Group, as set out in the report presented, are noted.

16. Investment Context Report

Exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It was considered that in all the circumstances of the case the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

Ms Devitt, Independent Investment Adviser, presented her report on the macro-economic factors which influenced the investment market in which the Fund operated. When considering the report members of the Committee discussed factors such as inflation, increasing energy costs and the potential impact of a recession.

Resolved: That the update on the macro-economic factors which influence the investment market in which the Lancashire County Pension Fund operates is noted.

17. Investment Performance Report

Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It was considered that in all the circumstances of the case the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

Ms George, Independent Investment Adviser to the Fund, presented a report on the performance of the Fund in Q2 (April to June) which included details of the performance of individual asset allocations against benchmarks, cashflows, and the current funding level. Regarding the total portfolio return over different periods Ms George reported that whilst the Fund had been impacted in the short term by current volitivity in the market the expected return over 12 months and 3 to 5 years remained strong and above benchmarks.

Resolved: That the summary of the Fund's performance in Q2 of 2022, as set out in Appendix 'A' to the report presented is noted.

18. Investment Panel Report

Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It was considered that in all the circumstances of the case the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

The Head of Fund presented a report on the various matters which were discussed at the Investment Panel on 16th June 2022, as set out in the Minutes of that meeting.

Resolved: That the Minutes of the Investment Panel held on 16th June 2022 are noted.

Representatives from the Local Pensions Partnership left the meeting at this point.

19. LPP Governance Review

Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It was considered that in all the circumstances of the case the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

The Head of Fund presented a report on the key findings of an independent review of the governance of Local Pensions Partnership, highlighting various options available to shareholders and an initial implementation timeline/project plan. It was noted that a further report on the matter would be brought to the next meeting.

Resolved: That the report be noted, and arrangements made for a briefing to be held with Committee members before the next meeting on 25th November 2022 to enable the options outlined in the report to be discussed in more detail.

L Sales
Director of Corporate Services

County Hall
Preston

Lancashire County Council

Pension Fund Committee
Meeting to be held on Friday, 25 November 2022

Electoral Division affected:
N/A;

Lancashire County Pension Fund - External Audit Findings Report 2021/22
Appendix 'A' refers

Contact for further information: Paul Dobson, Treasury & Pensions Manager,
paul.dobson@lancashire.gov.uk

Brief Summary

The external auditor is required to report, to the Audit, Risk and Governance Committee, their audit findings prior to concluding their work and they attended the meeting in October to present a report on work to date. The auditor also presents their findings to the Pension Fund Committee and the report at Appendix A covers the overall findings of the external auditor in relation to the audit of the annual accounts of Lancashire County Pension Fund for the year ended 31 March 2022.

The audit of the Fund cannot be completed until the audit of the Council is ready to be signed off. Due to a national issue on the valuation of infrastructure assets which affects most upper tier authorities, but not the Pension Fund, this will not be until the new year.

Recommendation

The Pension Fund Committee is asked to note the findings in the report, and the other issues raised by the auditor, which are set out in Appendix 'A' and that an updated report is expected to be presented to the Audit, Risk and Governance Committee in January 2023.

Detail

Attached at Appendix A is the external auditor's annual audit findings report for Lancashire County Pension Fund for the 2021/22 audit. The report has been produced in accordance with the National Audit Office statutory Code of Audit Practice for Local Government bodies.

Stuart Basnett, Engagement Manager, will attend the meeting to present the report and answer any questions.

It is expected that the auditors' final opinion (covering Lancashire County Council and Lancashire County Pension Fund) will be provided at the Audit, Risk and

Governance Committee meeting on 30 January 2023. Usually, this opinion would be provided in November. This delay is due to a national issue regarding infrastructure assets owned by Councils. It should be noted that this issue is not related to the Pension Fund or its investments. Also, the external auditor has stated that all upper tier authorities in England were likely to be facing the same issue regarding infrastructure assets.

The Annual Report for the Lancashire County Pension Fund will be produced ahead of the statutory deadline of 1st December 2022, and it will be updated in the new year to reflect the auditors' final opinion.

Consultations

Lancashire County Council Finance Team
Pension Fund Team
Audit, Risk and Governance Committee

Implications:

This item has the following implications, as indicated:

Risk management

No significant risks have been identified.

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	Date	Contact/Tel
None		

Reason for inclusion in Part II, if appropriate

N/A

Grant Thornton

The Audit Findings for Lancashire County Pension Fund

Year ended 31 March 2022

5 October 2022

Appendix A

Contents

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Pension Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Your key Grant Thornton team members are:

Sarah Ironmonger
Key Audit Partner
T 0161 953 6499
E Sarah.L.Ironmonger@uk.gt.com

Stuart Basnett
Senior Manager
T 0151 224 7232
E Stuart.H.Basnett@uk.gt.com

Chris Blakemore
Assistant Manager
T 0161 214 6397
E Chris.Blakemore@uk.gt.com

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Lancashire County Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2022 for those charged with governance.

Page 13

Financial Statements	
Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion: • the Pension Fund's financial statements give a true and fair view of the financial position of the Pension Fund and its income and expenditure for the year; and • have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.	We have completed a substantial amount of our audit. However, at the time of writing this report, some audit tasks are still to be completed. Subject to the satisfactory completion of the outstanding items below, there are currently no matters of which we are aware that would require modification of our audit opinion [Appendix D] or material changes to the financial statements. However, this position is subject to the satisfactory completion of the following outstanding matters; • Finalising our work on the review of the investment confirmations, audited accounts and service auditor reports received. • Completion of the testing of a sample of direct property assets • Completion of the testing of large/unusual journals posted by management • Completion of the audit work/sample testing on several non-significant risk areas of the accounts • Finalisation of responses to Manager/EL reviews of the accounts • Final quality reviews of the audit work by the Manager and Engagement Leader • Review of the Annual Report once received • Receipt of signed management representation letter • Review of the final set of financial statements Subject to the satisfactory completion of the outstanding audit work, our anticipated audit report opinion will be unmodified. An updated audit findings report will be presented to the January 2023 meeting of the Audit, Risk & Governance Committee, which will confirm the audit opinion which we will be issuing.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk based, and in particular included:

- An evaluation of the Pension Fund's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter our audit plan, which was communicated to you at the Audit, Risk & Governance Committee meeting on 25 April 2022.

Conclusion

We are still in the process of completing our audit of your financial statements. Whilst no significant matters have been identified to date, subject to satisfactory completion of the outstanding queries being resolved, we anticipate issuing an unqualified audit, as detailed in Appendix D. These outstanding items are listed on page 3 of this report.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

2. Financial Statements

Page 15

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan, which was presented to the Audit, Risk & Governance Committee on 25 April 2022.

We detail in the table below our determination of materiality for Lancashire County Pension Fund.

	Pension Fund Amount (£)	Qualitative factors considered
Materiality for the financial statements	105.317	We have determined materiality for the audit to be £105.317m (equivalent to 1% of net assets for the prior year). This is in line with the industry standard and reflects the risks associated with the Fund's financial performance.
Performance materiality	78.987	Performance materiality drives the extent of our testing and this was set at 75% of financial statement materiality. Our consideration of performance materiality is based upon a number of factors: • We are not aware of a history of deficiencies in the control environment • There has not historically been a large number or significant misstatements arising; and • Senior management and key reporting personnel has remained stable from the prior year audit
Trivial matters	5.265	This equates to 5% of materiality. This is our reporting threshold to the Audit, Risk & Governance Committee for any errors identified.

2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Fund faces external scrutiny of its spending and stewardship of funds and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. Our substantive testing of the journals posted by management, based upon a risk-scoring method remains on-going, our audit work completed to date has not identified any evidence of inappropriate management override of controls. As with previous years, the Fund does not have authorisation controls in place over journals – refer to page 17 for further details.

Page 16

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
ISA 240 Fraud in Revenue and Expenditure Recognition Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. We have also rebutted the presumption of fraud in expenditure recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Lancashire County Council mean that all forms of fraud are seen as unacceptable Therefore, we do not consider this to be a significant risk for Lancashire County Pension Fund.
Valuation of Level 3 Investments The Fund revalues its investments on a quarterly basis to ensure that the carrying value is not materially different from the fair value at the financial statements date. By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (£3,584 million) and the sensitivity of this estimate to changes in key assumptions. Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end. Management utilise the services of investment managers as valuation experts to estimate the fair value as at 31 March 2022. We therefore identified valuation of Level 3 investments as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated management's processes for valuing Level 3 investments • reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met • independently requested year-end confirmations from investment managers • for a sample of investments, tested the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciled those values to the values at 31 March 2022 with reference to known movements in the intervening period and • in the absence of available audited accounts, we have evaluated the competence, capabilities and objectivity of the valuation expert • tested revaluations made during the year to see if they had been input correctly into the Pension Fund's financial records • where available reviewed investment manager service auditor report on design effectiveness of internal controls. Per the Fund's accounting policies, year end values for hard to value assets frequently contain 31 December values adjusted for cash for inclusion in the draft financial statements. As part of our response to the valuation risk the valuation of the level 3 investments is assessed by the auditor to ensure that the carrying value per the financial statements is not materially different from the fair value as at the 31 March 2022, which we obtain via external confirmation from the external fund managers. We would typically expect to see a number of small variances as a result of this, usually netting out to a relatively small variance. In recent years as a result of Brexit and Covid, these movements have been more volatile. From the work which we have performed to date the difference between the valuation of investments per the Fund's accounts and that per the externally obtained investment confirmations as at 31 March 2022 is £33.7m. This amount is below performance materiality. As this is a factual difference it has been included in Appendix B as an unadjusted misstatement. We are still finalising our work on the review of the investment confirmations, audited accounts and service auditor reports received.

Page 17

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 3 Investments – £3,838m	The Pension Fund has investments in unquoted equity and pooled investments that in total are valued on the Net Asset Statement as at 31 March 2022 at £3,838m. These investments are not traded on an open exchange/market and the valuation of the investment is highly subjective due to a lack of observable inputs. In order to determine the value, management rely on the valuations provided by the general partners to the private equity funds which the Fund invests in. The value of the investments has increased by £254m in 2021-22, largely due to significant positive changes in the market value of the investments, primarily as a result of the markets continuing to regain lost growth as a result of the Covid-19 Pandemic in prior years. However, the majority of this growth was attained in the first three quarters of the year with the impact of the Russian invasion of Ukraine impacting markets as at 31 March 2022 and reducing growth.	Management determine the values of level 3 investments through placing reliance on the expertise of investment managers. We have also tested a sample of level 3 investments to audited accounts to determine if the values estimated are reasonable and within our acceptable tolerances based on our expectation derived from the audited accounts. Management has disclosed, within Note 5 of the accounts, the uncertainty related to level 3 investments (absolute return funds and private equity) as well as providing a supporting sensitivity analysis within Note 17 to allow the reader to understand the potential impact on the accounts should the value of those estimates change. Per the Fund's accounting policies, year end values for hard to value assets frequently contain 31 December values adjusted for cash for inclusion in the draft financial statements. As part of our response to the valuation risk the valuation of the level 3 investments is assessed by the auditor to ensure that the carrying value per the financial statements is not materially different from the fair value as at the 31 March 2022, which we obtain via external confirmation from the external fund managers. We would typically expect to see a number of small variances as a result of this, usually netting out to a relatively small variance. In recent years as a result of Brexit and Covid, these movements have been more volatile. From the work which we have performed to date the difference between the valuation of investments per the Fund's accounts and that per the externally obtained investment confirmations as at 31 March 2022 is £33.7m. This amount is below performance materiality. As this is a factual difference it has been included in Appendix B as an unadjusted misstatement. We are still finalising our work on the review of the investment confirmations, audited accounts and service auditor reports received.	Light Purple

Page 18

Assessment

- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 2 Investments - £1,192m	The Pension Fund have investments in corporate and overseas government bonds, directly-held investment property and pooled property investments that in total are valued on the Net Asset Statement as at 31 March 2022 at £1,192m. The investments can not be easily reconciled to valuations recorded on an open exchange / market as the valuation of the investments involves some subjectivity. In order to determine the value, management rely on the information which they are given from the various fund managers. The net value of the investments has increased by £118m in 2021-22, due to a net increase in market value.	Management determine the value of Level 2 Investments through placing reliance on the expertise of the various fund managers. As such we have sought confirmations of year end valuations from all main mandate managers and also tested a sample of unit values used to value level 2 investments to externally quoted information sources, or where not quoted, to unit values provided by the investment manager's own independent custodian. For directly-held investment properties, we have assessed the valuer used as management's expert, Avision Young, to be competent, capable and objective. We have confirmed the completeness and accuracy of the underlying information provided to the valuer used to determine the estimate. For a sample of assets, we have evaluated the method, data and assumptions used by management's expert to derive the accounting estimate to be reasonable. We confirmed that the valuation method remains consistent with the prior year. We also confirmed the consistency of the estimate against the indices included within the Gerald Eve Market Report, and the reasonableness of the increase in the estimate. We also confirmed the adequacy of the disclosures relating to the estimate within the financial statements. At the time of writing we are still finalising our sample testing of directly held properties, however no issues have been identified to date.	Light Purple

Page 19

Assessment

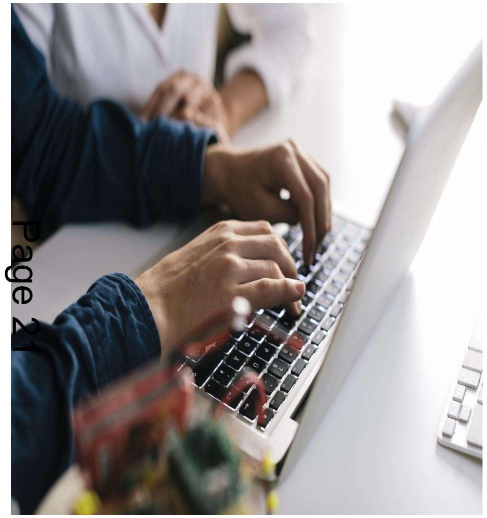
- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit, Risk & Governance Committee and Pension Fund Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Pension Fund. It will be included as a separate item in the Audit, Risk & Governance Committee papers at the January 2023 Meeting. We have not requested any additional specific representations from management.

2. Financial Statements - other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested direct confirmations from the Fund's bankers and custodian and plus a sample of managers of level 3 investments. We have received all confirmations requested.
Accounting practices	We have evaluated the appropriateness of the Pension Fund's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements. For key management personnel we have noted that the Fund has used contributions as an estimate for post-employment benefits. This area is subject to discussion within the sector but the CIPFA example accounts do note that assuming that most key personnel identified will belong to the LGPS or other defined benefit pension schemes, disclosure of employer contributions payable in the period will not generally represent an accurate basis for estimating post-employment benefits. We are satisfied that readers will not be misled by the current disclosures but have discussed with management and this is an area that will be kept under review.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management, to date, has been provided. We note that management provided us with a set of draft financial statements on 8 June 2022, which is over 6 weeks in advance of the national deadline for preparing accounts.

2. Financial Statements - other communication requirements

Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

<table>
<tr><th>Issue</th><th>Commentary</th></tr>
<tr><td>Going concern</td><td>
In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.
Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:

the use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities
for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting.

Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:

the nature of the Pension Fund and the environment in which it operates
the Pension Fund's financial reporting framework
the Pension Fund's system of internal control for identifying events or conditions relevant to going concern
management’s going concern assessment.

On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:

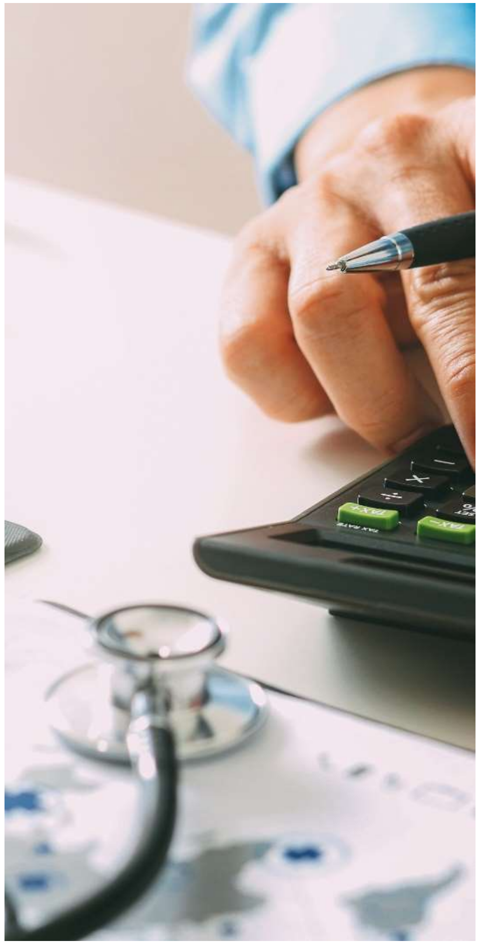
a material uncertainty related to going concern has not been identified
management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

</td></tr>
</table>

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Disclosures	No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to appendix D.
Matters on which we report by exception	We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We have not yet received the draft Annual Report from management to conduct this review – an update will be provided at the next committee meeting once we have obtained and reviewed the Annual Report.

Page 23



3. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

Details of fees charged are detailed in Appendix C.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Transparency report 2020 (grantthornton.co.uk)

3. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund. The following non-audit services were identified.

Service	Fees £	Threats identified	Safeguards
Audit related			
IAS19 procedures for other bodies admitted to the pension fund	£23,000 (£5,000 base Fee plus £1,000 for each set of audit procedures - 18 Expected)	Self-Interest (because this is a recurring fee) Self-review Management	The fee for this work is recurring but not significant compared to the audit of the financial statements of £37,423 and in particular relative to Grant Thornton UK LLP's turnover overall. The fee is fixed based on the number of admitted bodies. Further, the work is on audit related services and integrated with the testing undertaken as part of the audit. These factors all mitigate the perceived self-interest threat to an acceptable level. We have not prepared the financial information on which our assurances will be used by the requesting auditor. Any decisions whether to change controls over, or edits required to, financial information arising from our findings will be a matter for informed management We may make recommendations to the Pension Fund in respect of control weaknesses, in the same way as we would in an audit of financial statements. Informed management understand the operation of systems and can challenge our recommendations as appropriate.
Non-audit Related			
None			

Page 25

These services are consistent with the Pension Fund's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit, Risk & Governance Committee. None of the services provided are subject to contingent fees.

Appendices

A. Follow up of prior year recommendations

We reported the following issues in the audit of the Pension Fund's 2020/21 financial statements, which resulted in one recommendation being reported in our 2020/21 Audit Findings report. The same issue was identified during our audit this year.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
x	Issue and Risk Manual journals within the financial ledger system are input by approved personnel, but they are not subject to separate authorisation controls by a second staff member at the time of input. The risk is that the absence of authorisation controls at the time of input creates a higher risk of error or manipulation. Recommendation Review the authorisation procedures in place over journal input.	Management Response The same personnel-based controls remain in place at the Council, as does the lack of incentive for finance personnel to manipulate journals. Whilst we accept that there are no preventative controls in place, there are informal detective controls in place, such as monthly reconciliations to the custodian report and quarterly reviews, that would identify errors caused by journals. Any journals for unusual accounting are discussed amongst the finance team and the approach agreed prior to them being posted. A review of users with access to the pension fund general ledger (and therefore the ability to post journals) is carried out at least annually. Audit Response As users with access to Oracle can post and approve their own journals, this is required to be recognised as a control deficiency and we have assessed the journals control environment as "medium" risk. Whilst the deficiency exists with the Fund's system, the low number of manual journals posted as well as the limited number of journal posters and that the majority of journals relate to investment postings which can be traced to custodian/fund manager records, the impact of the deficiency in the context of the risk of management override of controls, is reduced.

Page 27

Assessment

✓ Action completed

X Not yet addressed

B. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

No adjusted misstatements have been identified to date.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Auditor recommendations	Adjusted?
Fair Value Classification of Financial Assets Our testing of level 2 investment assets identified a small number of instances where the classification of the assets under the IFRS 13 hierarchy did not appear correct. - £75.6m of cash which has been loaned to other local authorities on a short term basis classified as level 2 but is more appropriate as level 1 classification as cash equivalents.	The final version of accounts to be amended for these matters.	✓
Presentation/Disclosure Changes A number of minor amendments have been suggested to management from our financial statements presentation and internal consistency review.	The final version of accounts to be amended for these matters.	✓

Page 28

Impact of prior year unadjusted misstatements

There were no adjustments identified during the prior year audit which had not been made within the final set of 2020/21 financial statements

B. Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2021/22 audit which have not been made within the final set of financial statements. The Audit, Risk & Governance Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000	Reason for not adjusting
Per the Fund's accounting policies, year end values for hard to value assets frequently contain 31 December values adjusted for cash for inclusion in the draft financial statements. As part of our response to the valuation risk the valuation of the level 3 investments is assessed by the auditor to ensure that the carrying value per the financial statements is not materially different from the fair value as at the 31 March 2022, which we obtain via external confirmation from the external fund managers. We would typically expect to see a number of small variances as a result of this, usually netting out to a relatively small variance. In recent years as a result of Brexit and Covid, these movements have been more volatile. From the work which we have performed to date the difference between the valuation of investments per the Fund's accounts and that per the externally obtained investment confirmations as at 31 March 2022 is £33.7m. This amount is below performance materiality, however, we are still finalising our work on this area. We are still finalising our work on the review of the investment confirmations, audited accounts and service auditor reports received.	£33.7m	£33.7m	£33.7m	Below Performance Materiality
Overall impact	£33.7m	£33.7m	£33.7m	

Page 29

C. Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee	Final fee
Pension Fund Audit	£37,423	TBC
Total audit fees (excluding VAT)	£37,423	TBC

Audit Fees per the draft financial statements is £39,300 for the audit of the accounts and £9,500 for IAS 19 assurance. The audit fee per the accounts was based on the actual fees charged for the 2020-21 Audit.

The difference between gross total audit fees for the year charged in the Pension Fund's Fund account (per the draft accounts) of £49k and the total fees to the left of £60k is £11k. This will be amended for in the final version of the Pension Fund's financial statements.

Page 30

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services		
IAS19 Assurance Letters (£5,000 base fee + £1,000 per letter – 18 expected)	£23,000	£23,000
Total non-audit fees (excluding VAT)	£23,000	£23,000

C. Fees

Detailed below is the reconciliation of the scale fee, set by PSAA in 2018, and the final audit fee to be charged for the financial year which reflects the increased scope and challenge required to be performed in our 2021/22 audit.

Scale fee published by PSAA	£26,310
Increases to scale fee for additional work not considered when the scale fee was originally set by PSAA	
Raising the bar – increased FRC Challenge	£1,875
Enhanced audit procedures for Directly held property	£2,188
Enhanced audit procedures for Investments	£1,750
Increased audit requirements of revised ISAs 540	£3,300
Additional work on journals posted by management	£2,000
Total audit fees (excluding VAT)	£37,423

D. Audit opinion

Our audit opinion is included below. We anticipate we will provide the Pension Fund with an unmodified audit report.

Independent auditor's report to the members of Lancashire County Council on the pension fund financial statements of Lancashire County Pension Fund

Opinion

We have audited the financial statements of Lancashire County Pension Fund (the 'Pension Fund') administered by Lancashire County Council (the 'Authority') for the year ended 31 March 2022 which comprise the Fund Account, the Net Assets Statement, and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2022 and of the amount and disposition at that date of the fund's assets and liabilities;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund's 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 Chief Executive & Director of Resources' 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 Pension Fund'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 Pension Fund to cease to continue as a going concern.

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

The responsibilities of the Chief Executive & Director of Resources with respect to going concern are described in the 'Responsibilities of the Authority, the Chief Executive & Director of Resources and Those Charged with Governance for the financial statements' section of this report.

Other information

The Chief Executive & Director of Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Pension Fund's financial statements, our auditor's report thereon, and our auditor's report on the Authority's and group's financial statements. Our opinion on the Pension Fund's 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 Pension Fund's financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Fund's financial statements, or our knowledge of the Pension Fund 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 Pension Fund 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice (2020) published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the Pension Fund's financial statements and our knowledge of the Pension Fund, the other information published together with the Pension Fund's financial statements in the Statement of Accounts, for the financial year for which the financial statements are prepared is consistent with the Pension Fund financial statements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of the Authority, the Chief Executive & Director of Resources and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Executive & Director of Resources. The Chief Executive & Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in

D. Audit opinion

Page 33

accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Chief Executive & Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pension Fund's financial statements, the Chief Executive & Director of Resources is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Pension Fund will no longer be provided.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant ,which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Public Service Pensions Act 2013, The Local government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.
- We enquired of senior officers and the Audit, Risk & Governance Committee, concerning the Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit, Risk & Governance Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation

of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:

  - Journals, in particular with regard to manual journals, those journals over 5x materiality, journals posted after the year end date which have an impact on the Fund's financial position, as well as any journals made by senior management personnel.
  - The appropriateness of assumptions applied by management in determining significant accounting estimates, such as the valuation of level 2 and 3 investments.
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Chief Executive & Director of Resources has in place to prevent and detect fraud;
  - journal entry testing, with a focus on manual journals, those journals over 5x materiality, journals posted after the year end date which have an impact on the Fund's financial position, as well as any journals made by senior management personnel;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of level 2 and 3 investments valuations;
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to the valuation of level 2 and 3 investments
- Our 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 local government pensions sector
  - understanding of the legal and regulatory requirements specific to the Pension Fund including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA, LASAAC and SOLACE
    - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of

D. Audit opinion

Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

[Signature]

Sarah Ironmonger, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Manchester

[Date]

Lancashire County Council

Pension Fund Committee
Meeting to be held on Friday, 25 November 2022

Electoral Division affected:
N/A;

Local Pensions Partnership Annual Report and Accounts
Appendix 'A' refers

Contact for further information:
Sean Greene, Head of Fund, Sean.Greene@lancashire.gov.uk,

Brief Summary

The shareholder agreement for the Local Pension Partnership Limited requires the shareholder to receive the Annual Report and Accounts for the Partnership.

The Annual Report and Accounts for the year ended 31 March 2022 (a copy of which is set out at Appendix 'A') were approved by the Local Pensions Partnership Limited Board and, at the time of producing this report, are due to be filed with Companies House within the coming weeks.

Recommendation

The Committee is asked to note the content of the 2021/22 Annual Report and Accounts for the Local Pensions Partnership Limited as set out at Appendix 'A' to this report.

Detail

The Pension Fund Committee is charged with overall governance of the Fund and overseeing the investment and administration functions operated within the Local Pensions Partnership Limited (LPP).

The shareholders agreement requires the shareholder to receive the Annual Report and Accounts for LPP and the Terms of Reference of the Pension Fund Committee state that the Committee should receive the annual accounts for the LPP.

The Annual Report and Accounts for the year ended 31 March 2022 are attached at Appendix 'A'.

The report includes a strategic report and the financial statements of the company, with some key highlights being discussed in more detail. These include:

- 2021-22 was the second year of LPP's 5 Year Strategic Plan and key projects were delivered during 2021-22 which align to the strategy. Further information on this was provided to the Committee at the meeting on 16th September 2022;

- LPP manages around £22.8bn of pensions assets on behalf of three LGPS clients including the committed capital of the GLIL Infrastructure investment fund; and

- Pension administration services are provided to more than 630,000 LGPS, Police and Firefighters' pension scheme members across over 1,900. Employers.

Financial Position

Grant Thornton the external auditors have certified that the accounts present a true and fair view of the state of the Group's and the Parent Company's affairs at 31st March 2022 and of the Group's loss for the year then ended.

The accounts of the LPP Group report a loss of £1.9m for the year to 31st March 2022 compared to a loss of £5m for the year to 31st March 2021.

In summary, and ignoring FRS102 pension liabilities:

1. LPPA broke even and ended the year with a marginal operating profit
2. LPPI's operating profit was £1.9m
3. The statutory accounts outline significant losses once the pension liabilities are taken into account.

The latest investment management saving figures from asset pooling have been delivered to Department for Levelling Up, Housing and Communities. LPPI reported £113m of savings since inception, up from £74m in 2021. This represents an increase to the previous annual run rate (£39m vs £28m) and LPPI continues to excel against this strategic metric.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

Annual accounts of LPP are to be received by the Pension Fund Committee under its Terms of Reference.

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	Date	Contact/Tel
N/A	N/A	N/A

Reason for inclusion in Part II, if appropriate
N/A

Local Pensions Partnership Ltd

Annual Report and Financial Statements

for the year ended 31 March 2022

Registration number: 09830002

Contents

	Page

Local Pensions Partnership Ltd
Company Information

Directors

Adrian Taylor
Alan Schofield
Chris Rule
Fiona Stark
Sally Bridgeland
Terence Jagger

Company Secretary

Greg Smith

Registered Office

First Floor
1 Finsbury Avenue
London
EC2M 2PF

Registration number: 09830002

Independent Auditors

Grant Thornton UK LLP
30 Finsbury Square
London
EC2A 1AG

Bankers

National Westminster Bank
PO Box 35
10 Southwark Street
London
SE1 1TJ

Handelsbanken
First Floor
Unit 7b
Edward VII Quay
Navigation Way
Preston
PR2 2YF

Principal activities

Local Pensions Partnership Ltd (LPP) strives to be an exceptional pension services provider.

Formed in 2016, we are a provider of pension administration and investment management services to some of the largest UK local government and public sector pension funds.

LPP initially launched as a collaboration between Lancashire County Council (LCC) and London Pensions Fund Authority (LPFA), ahead of the Government plan to create asset pools from the 89 funds which make up the Local Government Pension Scheme (LGPS). LCC and LPFA took the decision to pool their assets to reduce cost and improve performance and to widen the opportunities that come with scale. LPP is now one of eight national Local Government pools.

Today LPP manages around £22.8bn of pensions assets on behalf of three LGPS clients including the committed capital of GLIL Infrastructure LLP (GLIL). We also provide pensions administration services for more than 630,000 LGPS, Police and Firefighters' pension scheme members across over 1,900 employers.

Section 172(1) statement 2021-22

LPP is required to publish a statement explaining key decisions that have been taken during the year and how the Directors have discharged their duty to promote the success of the Company. LPP's Section 172(1) statement covers all Group activity and decisions taken across LPP Ltd and its subsidiary entity Boards.

Board and Committee papers, that require decisions to be made, include a statement on how the decision will assist the Directors in the discharge of their obligations under section 172 of the Companies Act 2006. This requirement for all key papers assists both the Directors in their decision making, and in embedding the consideration of section 172 in the culture of the business and its decision making at senior management level where papers are written. Additionally, all Board and Committee papers require authors to consider corporate social responsibility, which would include any impact on the community and/or the environment.

Directors are mindful of the impact on stakeholders when making decisions. The Group considers its stakeholders to be: its two shareholders; staff; investments and pensions administration clients; the members and employers of those clients, where relevant; suppliers of key services and goods to the LPP Group, such as software; regulatory bodies; and the Government.

LPP is committed to maintaining a reputation for high standards of business conduct and does so with its commitment to good standards of corporate governance as described in the corporate governance statement and in its application of the Wates principles.

The key decisions taken during 2021-22 are outlined below and are important steps in the long-term success of the Company. The table describes how the Directors have had regard to the matters set out in section 172(1) (a) to (f) when performing their duty under section 172 of the Companies Act 2006 to promote the success of the Company when making key decisions.

More generally, LPP seeks to build positive relationships with suppliers by ensuring it acts as a responsible client. This means effective procurement, engagement and operating without payment delays.

Section 172(1) statement 2021-22 (continued)

Key decisions taken across the Group	Impact on stakeholders
Capital Injection of £3m LPP Board approved and provided a capital injection of £3m to LPPI to ensure sufficient regulatory capital was in place once IFPR (Investment Funds Prudential Regime) regulations came into effect from 1 January 2022.	In providing the capital injection the LPP Board considered the impact on: LPPI as a wholly owned subsidiary entity – the provision of additional regulatory capital was a safeguard under the IFPR Regulations. LPP and LPPI comprises the LPP IFPR Group. Group Shareholders – Without the capital injection, in certain circumstances there might have been an impact on LPPI's ability to manage the assets of the Group Shareholders or other investment clients. Staff – Maintaining appropriate levels of regulatory capital is a regulatory requirement which ensures the continued viability of LPPI as an AIFM (Alternative Investment Fund Manager) Suppliers – The on-going viability of LPP and LPPI as a sustainable procurement partner is reliant on LPPI maintaining sufficient regulatory capital to continue operating.
LPPI IIGCC (Institutional Investors Group on Climate Change) Net Zero Commitment LPPI has committed to support the goal of net zero greenhouse gas (GHG) emissions by 2050, in line with global efforts to limit warming to 1.5C (net zero emissions by 2050 or sooner). LPPI has committed to: 1. Work in partnership with asset owner clients on decarbonisation goals, consistent with an ambition to reach net zero emissions by 2050 or sooner across all assets under management ('AUM'). 2. Set an interim target for the proportion of assets to be managed in line with the attainment of net zero emissions by 2050 or sooner. 3. Review the businesses interim target at least every five years, with a view to ratcheting up the proportion of AUM covered until 100% of assets are included.	It is important for LPPI to take action on Net Zero to ensure the long-term success and continued operation of the Company. This action includes working in partnership with asset owner clients on decarbonisation goals with an ambition to reach net zero emissions by 2050 or sooner across all assets under management. There is a strong reputational impact of issuing a statement of commitment, expected to be well-received by suppliers, customers and other stakeholders. Making a commitment to Net Zero Carbon investing will lead to a positive impact on the environment and on communities where, for example, real estate investment projects have a clear focus on environmental factors.

Section 172(1) statement 2021-22 (continued)

LPPI Business Plan LPPI has committed to deliver the next phase in LPPI's maturity including net zero, improved client reporting and further resilience in operational activities and risk management. The business plan also focuses on several strategic goals which will drive LPPI forward.	The LPPI Business Plan provides the LPPI Board, staff and Group Shareholders with a clear medium term strategic direction which aligns to the overall Group Strategic Plan 2020-25. Importantly the LPPI Business Plan focuses on the investment business and provides staff employed by that subsidiary with clarity of medium-term objectives and priorities.
LPPA – Project PACE Project PACE is LPPA's flagship programme to deliver one single core pensions administration system for LPPA by the end of 2022 (replacing the multitude of disparate non-integrated systems currently in place).	This will benefit stakeholders by: • Improving member experience by introducing greater self-service functionality • Improve employer experience by introducing improved self-service via a new employer portal functionality • Increase core administration operational productivity • The system has the potential to deliver efficiencies to clients and Group Shareholders • Staff impacted by the new system have received full training and internal communications

Strategic plan 20-25

2021-22 was the second year of LPP's 5 Year Strategic Plan.

The Strategic Plan can be summarised in three key objectives:

- prioritise financial stability and sustainability
- deliver excellent investment performance in excess of LPPI's client targets and benchmarks, and
- focus on improving the member and employer experience

Key projects delivered during 2021-22 which align to our strategy are outlined below. The start of the year continued to be impacted by the Covid-19 pandemic, but it was pleasing to see delivery across both "business as usual" and strategic tasks during this period.

Key strategic deliverables achieved 2021-22

Robust financial performance: As standalone subsidiaries both LPPI and LPPA made a marginal (pre-tax and pre-pension liability obligation) operating profit, supporting LPP's drive for robust financial performance.

Investment cost savings against the pre-pooling position for LCPF, LPFA, and RCBPF have been published. In aggregate LPPI has achieved £113m of savings compared with the pre-pooling position.

Responsible investment: Responsible Investment has been integrated with the investment process and high-quality dashboards published quarterly. In addition, LPPI is a signatory to the FRC's Stewardship Code, which has made a commitment to net zero by 2050 in relation to LPPI's assets under management and publishes a Responsible Investment Annual Report which is available on the LPP website.

Investment performance: LPPI achieved its strategic target to outperform shareholder client policy portfolio (strategic asset allocation) benchmark over the 1, 3 and 5 year periods.

Pension administration performance: The capital injections into LPPA in May 2020 and March 2021 put LPPA on a strong financial footing which has supported the investment in new Finance and Pension Administration systems during 2021-2022, with 9 of our clients transitioning to the new system (UPM) between January and April 2022 and the remaining clients due to transition between October and December 2022. Focus for the coming year is on further enhancement of the Administration system to support streamlining internal processes and ensuring LPPA are fully utilising the capability of UPM, which will support in improving both employer and member experience, LPPA will then review the associated target operating model.

Future strategic direction

2022-23 will see LPPI and LPPA move into Year 3 of the 5 Year Group Strategy. The Boards of LPPI and LPPA have re-assessed the strategic deliverables for the coming year. No significant strategic shifts are anticipated and the LPP Group will continue to deliver in line with the 5 Year Group Strategy.

LPPI has agreed a subsidiary specific Business Plan which is consistent with the Group Strategy but puts the deliverables in a LPPI specific focus and context. This includes a focus on business maturity and improvements to the operating platform in line with discussions with clients.

LPPA will continue to focus on the phased implementation of the new pension administration system and will then review the associated target operating model.

Principal risks

LPP's risk framework aims to:

- Establish and operate an effective risk management / internal control environment including risk identification, assessment, monitoring and the development of actions arising
- Establish, operate and report a regular program of Group-wide risk analysis, stress testing, scenario development, thematic review and reverse stress testing
- Integrate risk management into the culture of the Group

LPPI and LPPA each have their own dedicated risk and compliance functions. These are responsible for applying the above risk framework across the subsidiaries. The LPP Board is responsible for identifying key risks facing LPP which are not already owned by the LPPI and LPPA Boards. This will typically be risks associated with achieving the Group Strategy, relations with stakeholders and Group financial resilience.

During 2021-22 the main risks across the Group which were managed were in relation to:

- Covid-19 and the impact on subsidiary operations
- The implementation of Project PACE - the new pensions administration system, UPM
- The war in Ukraine and the associated impact on global markets, resulting in a short-term fall in income for LPPI and short-term challenges with client investment performance, and
- LPPI's regulatory capital position and the impact of staff LGPS pensions on the Group and specifically LPPI.

Looking forward LPP will continue to monitor the legislative landscape in relation to asset pooling in the UK and respond accordingly to government guidance.

Staff engagement

Communication and engagement surveys have been issued periodically and have demonstrated overall high levels of staff engagement. Wellness and diversity initiatives have been progressed.

- LPPA and LPPI engagement scores were 7.3 out of 10 on the Peakon Scale.
- Diversity & Inclusion surveys returned 7.9 (LPPI) and 8.3 (LPPA) out of 10 on the Peakon Score.
- LPPA and LPPI participated in initiatives to improve diversity across the Group such as LPPI's participation in the 10,000 Black Interns programme. Further information can be found in the subsidiary entities' annual report and accounts.

Executive remuneration across the Group

LPP is committed to reporting the total remuneration of its Directors and higher earners. The remuneration disclosure goes beyond what legislation requires and reflects LPP's commitment to transparency. The table below shows total remuneration (base salary plus incentives plus pension or cash alternative) of 'higher earners' (employees earning over £100,000) across the LPP Group.

Range	No. of Employees
£100,001 – £150,000	23
£150,001 – £200,000	10
£200,001 – £250,000	3
£250,001 – £300,000	2
£300,001 – £350,000	2
£350,001 – £400,000	3
£400,001 – £450,000	0
£450,001 – £500,000	0
£500,001 – £550,000	1

Environmental initiatives

LPP has signed up to the Planet Mark initiative and has been awarded its accreditation for its second year. During 2021-22 LPP has been collecting data from across the Group to produce our business operations carbon emissions report. LPPI and LPPA will review their individual entities emission results during the 2022 calendar year and then determine a CO2 reduction plan and commitment.

LPPI has produced a Responsible Investment Report for the second year running which can be found on LPP's website. This covers topics such as LPPI's approach to responsible investment, our beliefs, voting, investor engagement and our Climate Change Disclosure/TCFD reporting.

Corporate governance statement

The LPP website provides information on LPP's Governance Framework. LPP is now operating a model whereby the core operational activities are fully carried out by LPPI and LPPA. The LPP Board is responsible for the oversight of the subsidiaries plus Group performance, strategy and shareholder engagement.

Conflicts of interest and independence

The process by which Directors' conflicts might be authorised is set out in detail in the relevant Articles of Association. Conflicts of interest policies are also in place, ensuring a proper process for the identification, consideration of, authorisation and appropriate recording of any conflicts of interest. These policies are reviewed regularly, and any amendments approved by the respective Board. Directors declare any conflicts at the start of each Board or Committee meeting to be recorded in the minutes of the meeting and the conflicts of interest register.

This report was approved by the Board of Directors on 26 September 2022 and signed on their behalf.

Chris Rule
Director
27 September 2022

The Directors present their report and financial statements for the year ended 31 March 2022.

Directors

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

Adrian Taylor
Alan Schofield
Chris Rule
Fiona Stark (appointed 1 August 2022)
Michael O'Higgins (resigned 1 July 2021)
Sally Bridgeland
Sir Peter Rogers (resigned 31 July 2022)
Terence Jagger

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

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

The Directors are responsible for ensuring that the Group keeps adequate accounting records that are sufficient to show and explain the Group's transactions; disclose with reasonable accuracy at any time the financial position of the Group; enable them to ensure that its financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of Corporate Governance Arrangements

LPP's Directors have agreed to the adoption of the Wates Corporate Governance Principles for the Group and although not meeting the threshold requiring the provision of a statement of corporate governance arrangements, LPP's Directors wish to report on LPP's application of these principles and have done so though the provision of a detailed report on LPP's website.

Results and dividends

Excluding the impact of the FRS102 defined benefit charge, LPP Group made a profit after tax of £1,305k (2021 – loss of £2,470k) and LPP entity a loss after tax of £844k (2021 – profit of £5,290k). Including the FRS102 defined benefit charge, LPP Group made a loss after tax of £1,945k (2021 – loss of £5,161k) and LPP entity a loss after tax of £1,000k (2021 – profit of £15,505).

No dividends were paid during the year (2021 - £nil) and no recommendation is made to pay a final dividend.

Capital

LPP has an issued share capital of 25,000,002 ordinary shares of £1. The shareholders are Lancashire County Council and London Pensions Fund Authority, and each holds 12,500,001 fully paid ordinary shares of £1 in value. Of its 12,500,001 shares, Lancashire County Council holds 12,500,000 of these acting in its capacity as administering authority for the Lancashire County Pension Fund.

Going concern

After making enquiries in relation to the Group's forecasts and projects, the Directors are satisfied that the Group has adequate resources to continue in business for the foreseeable future and that, therefore, it is appropriate to adopt the going concern basis in preparing the financial statements.

Expected future developments

Expected future developments are set out in the strategic report.

Political or charitable donations

As part of LPP's environmental strategy to reduce its carbon emissions relating to its business operations, a small contribution of 5% of our external supplier's fee of £7,250 is donated to support The Eden Project which funds their education program to visit schools around the UK and help engage students in the importance of the environment and nature.

Research and Development

No research and development expenditure was made during the year (2021 - £nil).

Financial Instrument Risk

The Group does not use hedging or financial risk management instruments and all cash is held within bank accounts with highly rated financial institutions.

Business relationships

Information on business relationships is provided in the Section 172(1) statement.

Employee engagement and representation

Organisational-wide changes are communicated to employees and major strategic projects are discussed on a regular basis. LPP's business subsidiaries (LPPI and LPPA) also held regular strategic update sessions for all employees, supplemented with informal 'Open Door' sessions where employees are encouraged to put questions to the Executive Management Teams.

Further information on employee engagement is provided in the Section 172(1) statement.

Disabled employees

LPP is committed to ensuring equality of opportunity and access in both its employment and service arrangements.

LPP's aim is to promote diversity within its workforce and ensure that services meet the different needs of staff and clients at all times.

Of LPP Group's employees, 8% have reported some form of disability. As a Group, the aim is 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

None.

Disclosure of information to auditors

Each of the persons who is a Director at the date of the approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006. Grant Thornton UK LLP was reappointed as auditor of the Company, in accordance with s487 of the Companies Act 2006 by a written shareholder resolution via LPP AGM (Annual General Meeting) on 29 October 2021.

This report was approved by the Board of Directors on 26 September 2022 and signed on their behalf.

Chris Rule
Director
27 September 2022

Opinion

We have audited the financial statements of Local Pensions Partnership Ltd (the ‘parent company’) and its subsidiaries (the ‘group’) for the year ended 31 March 2022, which comprise the consolidated income statement, the consolidated and the company statement of comprehensive income, the consolidated statement of financial position, the company statement of financial position, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated statement of cash flows 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 group’s and of the parent company’s affairs as at 31 March 2022 and of the group’s 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 group and the parent 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 group’s and the parent 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 group or the parent company to cease to continue as a going concern.

In our evaluation of the directors’ conclusions, we considered the inherent risks associated with the group’s and the parent 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 group’s and the parent 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 group’s and the parent 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.

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 group and the parent 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 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 group's and the parent 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 group or the parent 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 group and the parent 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 group and the parent 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 group and the parent company 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.

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

- 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 group and the parent company operates; and
  - understanding of the legal and regulatory frameworks applicable to the group and the parent company.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the group and the parent company's operations, including the nature of its revenue sources, products and services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement;
  - the rules and interpretative guidance issued by the Financial Conduct Authority applicable to the group and the scope of its authorisation; and
  - the group and the parent company's control environment, including the policies and procedures implemented to comply with the requirements of its regulator, including the adequacy of the training to inform staff of the relevant legislation, rules and other regulations of the regulator, the adequacy of procedures for authorisation of transactions, internal review procedures over the group and the parent company's compliance with regulatory requirements, the authority of, and resources available to the compliance officer and procedures to ensure that possible breaches of requirements are appropriately investigated and reported.

Use of our report

- This report is made solely to the parent 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 parent 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 parent company and the parent 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
27 September 2022

Local Pensions Partnership Ltd
Consolidated Income Statement
for the year ended 31 March 2022

	Notes	2022 £'000	2021 £'000
Turnover	6	41,404	36,567
Administrative expenses		(44,298)	(41,372)
Other operating income		599	878
Operating loss	**7**	**(2,295)**	**(3,927)**
Interest receivable	9	3	14
Loss before taxation		**(2,292)**	**(3,913)**
Taxation	10	347	(1,248)
Loss for the financial year		**(1,945)**	**(5,161)**

Local Pensions Partnership Ltd
Consolidated and Company Statement of Comprehensive Income
for the year ended 31 March 2022

Group

	Notes	2022 £'000	2021 £'000
Loss for the financial year		**(1,945)**	**(5,161)**
Other comprehensive income			
Remeasurement of defined benefit obligation	17	8,793	(12,444)
Total tax on components of other comprehensive income	10	(384)	610
Other comprehensive income for the year, net of tax		**8,409**	**(11,834)**
Total comprehensive income for the year		**6,464**	**(16,995)**

Company

	Notes	2022 £'000	2021 £'000
(Loss)/Profit for the financial year		**(1,000)**	**15,505**
Other comprehensive income			
Remeasurement of defined benefit obligation	17	2,203	(8,970)
Other comprehensive income for the year, net of tax		**2,203**	**(8,970)**
Total comprehensive income for the year		**1,203**	**6,535**

Local Pensions Partnership Ltd
Consolidated Statement of Financial Position
as at 31 March 2022

	Notes	2022 £'000	2021 £'000
Fixed assets			
Intangible assets	11	3,423	1,324
Tangible assets	12	456	767
		3,879	**2,091**
Current assets			
Debtors	14	12,227	10,711
Cash at bank and in hand		28,668	28,943
		40,895	**39,654**
Creditors: amounts falling due within one year	15	(6,653)	(6,122)
Net current assets		**34,243**	**33,532**
Total assets less current liabilities		**38,122**	**35,623**
Creditors: amounts falling due after more than one year	16	(493)	(297)
Post-employment benefits	17	(32,601)	(36,762)
Net assets/(liabilities)		**5,028**	**(1,436)**
Capital and reserves			
Share capital	18	25,000	25,000
Profit and loss account		(19,972)	(26,436)
Total equity		**5,028**	**(1,436)**

The notes on pages 23 to 48 form part of these financial statements.

The financial statements were approved by the Board of Directors on 26 September 2022 and signed on their behalf.

Adrian Taylor
Director
27 September 2022

Local Pensions Partnership Ltd
Company Statement of Financial Position
as at 31 March 2022

	Notes	2022 £'000	2021 £'000
Fixed assets			
Intangible assets	11	119	251
Tangible assets	12	165	517
Investments	13	19,450	17,000
		19,734	**17,768**
Current assets			
Debtors	14	984	974
Cash at bank and in hand		3,867	6,787
		4,851	**7,761**
Creditors: amounts falling due within one year	15	(271)	(423)
Net current assets		**4,580**	**7,338**
Total assets less current liabilities		**24,314**	**25,106**
Post-employment benefits	17	(6,829)	(8,824)
Net assets		**17,485**	**16,282**
Capital and reserves			
Share capital	18	25,000	25,000
Profit and loss account		(7,515)	(8,718)
Total equity		**17,485**	**16,282**

The notes on pages 23 to 48 form part of these financial statements.

The financial statements were approved by the Board of Directors on 26 September 2022 and signed on their behalf.

Adrian Taylor
Director
27 September 2022

Local Pensions Partnership Ltd
Consolidated Statement of Changes in Equity
for the year ended 31 March 2022

LPP
Local Pensions Partnership

	Share capital	Profit and Loss Account	Total
	£'000	£'000	£'000
At 1 April 2020	**25,000**	**(8,113)**	**16,887**
Loss for the year	-	(5,161)	**(5,161)**
Other comprehensive income for the year	-	(11,834)	**(11,834)**
Total comprehensive income for the year	**-**	**(16,995)**	**(16,995)**
Deferred tax movement	-	(1,328)	**(1,328)**
At 31 March 2021	**25,000**	**(26,436)**	**(1,436)**
At 1 April 2021	**25,000**	**(26,436)**	**(1,436)**
Loss for the year	-	(1,945)	**(1,945)**
Other comprehensive income for the year	-	8,409	**8,409**
Total comprehensive income for the year	**-**	**6,464**	**6,464**
At 31 March 2022	**25,000**	**(19,972)**	**5,028**

Local Pensions Partnership Ltd
Company Statement of Changes in Equity
for the year ended 31 March 2022

LPP
Local Pensions Partnership

	Share capital £'000	Retained earnings £'000	Total £'000
At 1 April 2020	**25,000**	**(13,925)**	**11,075**
Profit for the year	-	15,505	**15,505**
Other comprehensive income for the year	-	(8,970)	**(8,970)**
Total comprehensive income for the year	**-**	**6,535**	**6,535**
Deferred tax movement	-	(1,328)	**(1,328)**
At 31 March 2021	**25,000**	**(8,718)**	**16,282**
At 1 April 2021	**25,000**	**(8,718)**	**16,282**
Profit for the year	-	(1,000)	**(1,000)**
Other comprehensive income for the year	-	2,203	**2,203**
Total comprehensive income for the year	**-**	**1,203**	**1,203**
At 31 March 2022	**25,000**	**(7,515)**	**17,485**

Local Pensions Partnership Ltd
Consolidated Statement of Cash Flows
for the year ended 31 March 2022

LPP
Local Pensions Partnership

	2022 £'000	2021 £'000
Operating activities		
Loss for the financial year	**(1,945)**	**(5,161)**
Adjustments for:		
Tax on loss on ordinary activities	(347)	1,248
Depreciation	456	478
Amortisation of intangible assets	409	251
Loss on disposal of fixed assets	72	72
Pensions movement in the year	4,335	3,322
(Increase)/decrease in debtors	(1,737)	1,856
Increase in creditors	1,023	1,380
Cash generated from operating activities	**2,266**	**3,446**
Corporation tax recovered/(paid)	202	(574)
Net cash generated from operating activities	**2,468**	**2,872**
Investing activities		
Payments to acquire intangible fixed assets	(2,512)	(501)
Payments to acquire tangible fixed assets	(231)	(566)
Cash used in investing activities	**(2,743)**	**(1,067)**
Net movement in cash and cash equivalents		
Cash generated from operating activities	2,468	2,872
Cash used in investing activities	(2,743)	(1,067)
	(275)	**1,805**
Cash and cash equivalents at 1 April	**28,943**	**27,138**
Cash and cash equivalents at 31 March	**28,668**	**28,943**
Cash and cash equivalents comprise:		
Cash at bank	**28,668**	**28,943**

1 General information

The Company is a private company limited by shares and is incorporated (as a limited liability company under the laws of England and Wales) in the UK. The Registered Office is located at First Floor, 1 Finsbury Avenue, London, EC2M 2PF.

2 Basis of measurement and preparation of financial statements

LPP and its subsidiaries (together 'the Group') 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 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.

In these financial statements, the Company is a qualifying entity and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash flow statement and related notes
- Disclosure of key management personnel compensation
- Categories of financial instruments
- Items of income, expenses, gains, or losses relating to financial instruments
- Exposure to and management of financial risks relating financial instruments

The Company has taken advantage of the exemption in section 408 of the Companies Act from presenting its individual profit and loss account.

3 Going concern

The Group manages and monitors its capital and liquidity, and various assessments and stresses are applied to those positions to understand potential impacts of market downturns. Based upon the available information, the Directors consider that the Group remains financially strong.

The Directors have taken into consideration the guidance provided by the Financial Reporting Council (“FRC”) on ‘Going Concern and Liquidity Risk’ published in April 2016. The Directors are confident that the Group will have sufficient funds to continue to meet its liabilities as they fall due for a period of, but not limited to, 12 months from the date of approval of the financial statements. Therefore, they have considered it appropriate to continue to adopt the going concern basis of accounting when preparing the financial statements.

Potential implications of the macroeconomic climate on the Group

The Directors, together with their advisors, have been actively monitoring the potential impacts arising from macroeconomic uncertainties such as Brexit, Covid-19, and the conflict between Ukraine and Russia on the Group.

Some specific measures have been taken during this time including remote working and re-validation of business continuity plans implemented by the Group.

The Group's transactions are in Sterling, therefore the Directors do not feel that the Group is exposed to any foreign exchange risk or macroeconomic risks as a result of the ongoing conflict between Ukraine and Russia.

The Directors have considered the inherent risks mentioned above and do not believe that any material uncertainties relating to these events, individually or collectively, will impact the Group’s ability to continue as a going concern.

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

These consolidated and separate financial statements are prepared on a going concern basis, under the historical cost convention. The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group and Company 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 disclosed in note 5.

(b) Basis of consolidation

The Group consolidated financial statements include the financial statements of the Company and all of its subsidiary undertakings' results made up to 31 March 2022. A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where a subsidiary has different accounting policies to the Group, adjustments are made to those subsidiary financial statements to apply the Group's accounting policies when preparing the consolidated financial statements.

All intra-group transactions, balances, income, and expenses are eliminated on consolidation.

(c) Investment in subsidiaries and associates

Investment in a subsidiary company is held at cost less accumulated impairment losses.

(d) 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 estimated useful lives, using the straight-line method.

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

- Software costs - length of licence or 3 years

(e) 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:

- Fixtures and Fittings 3 to 5 years
- Office equipment 3 to 5 years
- IT equipment 3 to 5 years

(f) Debtors

These amounts generally arise from the normal operating activities of the Group. Debtors that are receivables within one year are recorded at the undiscounted amount expected to be received.

4 Summary of significant accounting policies (continued)

(g) Cash at bank and in hand

Cash at bank and in hand also includes deposits held at call with banks and other short-term highly liquid investments with original maturities of three months. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

(h) Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

(i) 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 Group. All other leases are classified as operating leases.

Rental payments under operating leases are charged to the income statement 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.

(j) Provisions for liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group 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.

(k) 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.

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 income statement, other comprehensive income or equity depending on the transaction that resulted in the tax charge (credit).

(l) Turnover

Turnover is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes. Turnover includes revenue earned from the rendering of investment, administration, risk management and corporate services.

4 Summary of significant accounting policies (continued)

(m) 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.

(n) Inter and intra company debtors and creditors

These amounts generally arise from normal operating activities within the 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.

(o) Employee benefits

Short term 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

Participation by Group employees in two administered defined benefit pension scheme funds began on 8 April 2016. 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 factors such as length of service and remuneration.

The liability is recognised in the statement of financial position in respect of the defined benefit scheme as 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 Group 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 FRS102 fair value hierarchy and in accordance with the Group’s policy for similar held assets. 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 income statement 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 income statement as an expense.

Annual bonus Plan

The Group operates an annual bonus scheme for its employees. An expense is recognised in the income statement when the Group 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

(a) Sources of estimation uncertainty

The preparation of the financial statements requires management to make significant judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances and are reflected in the judgements made about carrying amounts of assets and liabilities that are not objectively verifiable.

Actual results may differ from the estimates made. Estimates and underlying assumptions are reviewed on an ongoing basis and where necessary are revised to reflect current conditions. The accounting estimates discussed in this section are those considered to be particularly critical to an understanding of the financial statements of the Company and Group because their application places the most significant demands on our ability to judge the effect of inherently uncertain matters on the financial results.

(b) 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) Taxation

The Group establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. The amount of such provisions is based on various factors including interpretations of tax regulations.

Estimation is required by management 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.

(ii) 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 consulting actuaries were engaged to provide the Group 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.

(iii) Useful economic life

The Group 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 Group’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.

5 Significant judgements and estimates (continued)

(iv) Impairment in subsidiaries

The Company has assessed at the reporting date whether there is any indication of impairment in the carrying value of its investments in subsidiaries. As a result, the Company estimated the recoverable amount of LPPA to ascertain if impairment at the year-end was required.

In establishing the recoverable amount, both the value in use and fair value less costs to sell methods were considered, with the value in use method being deemed appropriate. Following value in use calculations performed using third-party support, and following an internal review process, an impairment was deemed appropriate of £850,000, which reduced the carrying value of the investment in LPPA from £7,300,000 to £6,450,000 at year-end.

Due to the variables involved in the value in use calculations, there is a risk that the carrying amount of the investment could be adjusted within the next financial year.

6 Analysis of turnover

	2022 £'000	2021 £'000
Investment management fees	26,155	23,125
Pension administration fees	14,716	12,918
Asset and liability management fees	533	524
Total	**41,404**	**36,567**
Geographical analysis		
UK	**41,404**	**36,567**

7 Operating profit

	2022 £'000	2021 £'000
Operating Profit is stated after charging:		
Wages and salaries	22,228	19,290
Social security costs	2,343	2,218
Defined benefit pension costs	6,266	5,479
Other pension costs	498	129
Staff costs charged to profit and loss	**31,335**	**27,116**
Reorganisation expense	806	52
Loss on disposal of tangible assets	68	72
Loss on disposal of intangible assets	4	-
Impairment of trade receivables	15	(13)
Operating lease charges	1,568	1,882

7 Operating profit (continued)

	2022 £'000	2021 £'000
Included within administration expenses are:		
Audit services:		
Fees payable for the audit of the Company and the Group's consolidated financial statements	33	35
Audit of the Company's subsidiaries	81	73
Non-audit services:		
Audit-related assurance services	8	8
Total	**122**	**116**

8 Directors and employees

	2022 £'000	2021 £'000
The emoluments for Group Directors were as follows:		
Aggregate remuneration	**2,191**	**2,139**
The number of Group Directors who are members of a defined benefit pension scheme	1	3

	2022 £'000	2021 £'000
Highest paid Group Director (included in the above figures)		
Total amount of emoluments	518	509
Other pension costs	31	31
Total	**549**	**540**

The average Group headcount (including Directors) during the year was 395 (2021: 361).

The Group headcount as at 31 March 2022 was 415 (2021: 382).

9 Interest receivable and similar income

	2022 £'000	2021 £'000
Bank interest received	**3**	**14**

10 Taxation

Analysis of charge in year	**2022 £'000**	**2021 £'000**
Current tax:		
UK Corporation tax charge on profits for the year	333	59
Adjustments in respect of previous years	(151)	(2)
Total current tax charge	**182**	**57**
Deferred tax:		
Origination and reversal of timing differences	(446)	1,191
Adjustments in respect of previous years	196	-
Impact of change in tax rate	(279)	-
Total deferred tax:	**(529)**	**1,191**
Total tax (credit)/charge in the income statement	**(347)**	**1,248**

Tax included in statement of comprehensive income

	2022 £'000	**2021 £'000**
Deferred tax:		
Origination and reversal of timing differences	675	(596)
Impact of change in tax rate	(291)	(14)
Total tax charge/(credit) in statement of comprehensive income	**384**	**(610)**

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 £'000	**2021 £'000**
Loss before tax	**(2,292)**	**(3,913)**
Profit multiplied by the standard rate of tax in the UK of 19% (2020: 19%)	(436)	(744)
Effects of:		
- Unrecognised deferred tax	337	1,956
- Expenses not deductible for tax purposes	93	20
- Adjustments to tax charge in respect of prior years	(151)	17
- Adjustments to tax charge in respect of prior years: deferred tax	196	-
- Re-measurement of deferred tax - change in UK tax rate	(279)	-
- Tax rate differential on deferred tax	(107)	-
- Loss brought forward from prior years	-	(1)
Tax (credit)/charge for the year	**(347)**	**1,248**

The Finance Act 2021 will increase the rate of corporation tax to 25% with effect from 1 April 2023. Deferred tax has been restated and provided for at 25% to reflect this.

11 Intangible assets

Group	Assets under Construction	Software	Total
	£'000	£'000	£'000
Cost			
At 1 April 2021	**320**	**1,567**	**1,887**
Transfers	(2,012)	2,012	-
Additions	1,779	733	2,512
Disposals	-	(28)	(28)
At 31 March 2022	**87**	**4,284**	**4,371**
Accumulated amortisation			
At 1 April 2021	**-**	**563**	**563**
Amortisation during the year	-	409	409
On disposals	-	(24)	(24)
At 31 March 2022	**-**	**948**	**948**
Net book value at 1 April 2021	**320**	**1,004**	**1,324**
Net book value at 31 March 2022	**87**	**3,336**	**3,423**

Company	Assets under Construction	Software	Total
	£'000	£'000	£'000
Cost			
At 1 April 2021	**-**	**678**	**678**
Transfers	**-**	**-**	-
Additions	**-**	**-**	-
Disposals	-	(28)	(28)
At 31 March 2022	**-**	**650**	**650**
Accumulated amortisation			
At 1 April 2021	**-**	**427**	**427**
Amortisation during the year	-	128	128
On disposals	-	(24)	(24)
At 31 March 2022	**-**	**531**	**531**
Net book value at 1 April 2021	**-**	**251**	**251**
Net book value at 31 March 2022	**-**	**119**	**119**

12 Tangible assets

Group	Leasehold improvements	Fixtures, fittings, & office equipment	IT equipment	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 April 2021	**267**	**211**	**1,394**	**1,872**
Additions	-	2	229	231
Disposals	-	(1)	(238)	(239)
At 31 March 2022	**267**	**212**	**1,385**	**1,864**
Accumulated depreciation				
At 1 April 2021	**166**	**88**	**851**	**1,105**
Depreciation for the year	58	74	324	456
On disposals	-	(1)	(152)	(153)
At 31 March 2022	**224**	**161**	**1,023**	**1,408**
Net book value at 1 April 2021	**101**	**123**	**543**	**767**
Net book value at 31 March 2022	**43**	**51**	**362**	**456**

Company	Leasehold improvements	Fixtures, fittings, & office equipment	IT equipment	Total
		£'000	£'000	£'000
Cost				
At 1 April 2021	**267**	**160**	**1,140**	**1,567**
Additions	-	-	7	7
Disposals	-	(2)	(216)	(218)
At 31 March 2022	**267**	**158**	**931**	**1,356**
Accumulated depreciation				
At 1 April 2021	**166**	**77**	**807**	**1,050**
Depreciation for the year	58	47	178	283
On disposals	-	(1)	(141)	(142)
At 31 March 2022	**224**	**123**	**844**	**1,191**
Net book value at 1 April 2021	**101**	**83**	**333**	**517**
Net book value at 31 March 2022	**43**	**35**	**87**	**165**

13 Investment in Group undertakings

	Company 2022 £'000	2021 £'000
Cost		
At 1 April 2021	**17,000**	**10,000**
Investment during the year	3,300	7,000
Impairment	(850)	-
At 31 March 2022	**19,450**	**17,000**

	Type of Capital held	Proportion held	Nature of business
Subsidiaries - direct			
Local Pensions Partnership Administration Ltd	Equity	100%	Administration Services
Local Pensions Partnership Investments Ltd	Equity	100%	Investments
Subsidiaries - indirect			
LPPI Scotland (No.1) Ltd	Equity	100%	Investments
LPPI Scotland (No.2) Ltd	Equity	100%	Investments
LPPI Diversifying Strategies GP Limited	Equity	100%	General Partner
LPPI PE GP (No.1) LLP	Debt	100%	General Partner
LPPI PE GP (No.2) LLP	Debt	100%	General Partner
LPPI PE GP (No.3) LLP	Debt	100%	General Partner
LPPI Infrastructure GP LLP	Debt	100%	General Partner
LPPI Credit GP Limited	Equity	100%	General Partner
Associate - indirect			
The London Fund GP LLP	Debt	49%	General Partner

Country of incorporation for all entities is United Kingdom.

14 Debtors

	Company		Group	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Trade debtors less than one year	3	69	4,534	3,086
Amounts owed by Group undertakings	391	307	-	-
Corporation tax	34	399	-	366
Deferred taxation (Note 20)	-	-	2,143	1,998
Other taxes and social security costs	498	35	-	-
Other debtors	-	-	216	215
Prepayments and accrued income	58	164	5,334	5,046
Total	**984**	**974**	**12,227**	**10,711**

Amounts owed by Group undertakings are unsecured, interest free, no fixed repayment date and repayable on demand.

Group trade debtors are stated after provisions for impairment of £31,782 (2021: £16,685).

Company trade debtors are stated after provisions for impairment of £7,884 (2021: £7,125).

15 Creditors: amounts falling due within one year

	Company		Group	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Trade creditors	54	5	832	477
Amounts owed to Group undertakings	78	-	-	-
Corporation tax	-	-	18	-
Other taxation and social security	-	-	86	494
Other creditors	1	5	269	291
Accruals and deferred income	138	370	4,970	4,520
Provisions	-	43	479	43
Total	**271**	**423**	**6,653**	**5,825**

Amounts owed to Group undertakings are unsecured, interest free, no fixed repayment date and repayable on demand.

16 Creditors: amounts falling due after more than one year

	Company		Group	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Deferred remuneration	**-**	**-**	**493**	**297**

17 Post-employment benefits

On 1 June 2020 and 1 July 2020, some current employees of LPP, who were members of the London Pensions Fund Authority ("LPFA") and Lancashire County Pension Fund ("LCPF"), were transferred to Local Pensions Partnership Investments Ltd ("LPPI") and Local Pensions Partnership Administration Ltd ("LPPA") under the Transfer of Undertakings (Protection of Employment) Regulations ("TUPE").

The transferring employees were all members of the Local Government Pension Scheme ("LGPS") through participation in either LPFA or LCPF. The transfer from LPP to LPPI was carried out on a fully funded basis, and the transfer from LPP to LPPA was carried out on a share of funds basis. The liabilities were calculated on the ongoing basis appropriate for funding, using either the LPFA or LCPF 2019 Triennial valuation basis assumptions depending on the Fund from which employees' liabilities were transferred. LPPI and LPPA acquired their share of assets and liabilities based upon members transferred. The net liability acquired at the time of transfer was £2.1m and £15.8m for LPPI and LPPA respectively. The transaction was accounted for in LPP's financial statements by crediting the settlement gain to the profit and loss and debiting the pension liability. The corresponding introduction expense was accounted for in the profit and loss of LPPI and LPPA. This was accounted for on an FRS 102 valuation basis.

It has subsequently been identified that there was a deficit in relation to the funding of LCPF of £0.3m based on the latest available triennial valuation. LPP have invested an additional £0.3m in LPPA to compensate for this shortfall which was calculated on an ongoing basis.

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 judgements 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. LPP and its subsidiaries, as the employing bodies, also contribute to the scheme as determined by each Fund's respective Fund actuary on the employee's behalf, currently between 12.0% and 14.9% of salary p.a. The liabilities of the LGPS attributable to the Group are included in the Consolidated Statement of Financial Position.

In accounting for the defined benefit schemes, the Group has applied the principle that no pension assets are invested in the Group'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, inflation risk, longevity risk and salary risk, as follows:

- Investment risk. The Funds hold investment 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 long-dated 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. If 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.

17 Post-employment benefits (continued)

Post-employment benefits summary

	31 March 2022			
	LPP £'000	**LPPA £'000**	**LPPI £'000**	**Total £'000**
Fair value of plan assets	8,840	25,906	12,791	**47,537**
Defined benefit obligation	(15,669)	(42,051)	(22,418)	**(80,138)**
Net defined benefit liability	**(6,829)**	**(16,145)**	**(9,627)**	**(32,601)**

	31 March 2021			
	LPP £'000	**LPPA £'000**	**LPPI £'000**	**Total £'000**
Fair value of plan assets	7,704	20,586	10,170	**38,460**
Defined benefit obligation	(16,528)	(38,272)	(20,719)	**(75,519)**
Net defined benefit liability	**(8,824)**	**(17,686)**	**(10,549)**	**(37,059)**
Charge to income statement	(2,203)	(3,887)	(2,703)	**(8,793)**
Credit to statement of comprehensive income	208	2,346	1,781	**4,335**

Management considers the significant actuarial assumptions with regards to the determination of the defined benefit obligation to be the discount rate, inflation, the rate of salary increases and mortality. Sensitivity analysis is provided below, based on reasonably possible changes of the assumptions occurring at the end of the reporting period, assuming all other assumptions are held constant.

The sensitivities have been derived in the same manner as the defined benefit obligation as at 31 March 2022 where the defined benefit obligation is estimated using the Projected Unit Credit method. Under this method each participant’s benefits are attributed to years of service, taking into consideration future salary increases and the scheme’s benefit allocation formula. Thus, the estimated total pension to which each participant is expected to become entitled at retirement is broken down into units, each associated with a year of past or future credited service.

The defined benefit obligation as at 31 March 2022 is calculated on the actuarial assumptions agreed as at that date. The sensitivities are calculated by changing each assumption in turn following the methodology above with all other things held constant. The change in the defined benefit obligation from updating the single assumption represents the impact of that assumption on the calculation of the defined benefit obligation.

17 Post-employment benefits (continued)

LPP	LPFA 2022 %	LPFA 2021 %
The principal actuarial assumptions used were as follows:		
Discount rate	2.6	2.1
Future salary increases	4.2	3.9
Future pension increases (CPI)	3.2	2.9
Inflation assumption (RPI)	3.7	3.4

	LPFA 2022	LPFA 2021
Longevity at age 65 for current pensioners		
- Men	21.1	21.0
- Women	24.4	24.4
Longevity at age 65 for future pensioners		
- Men	23.3	23.2
- Women	26.1	26.0

	LPFA 2022 £'000	LPFA 2021 £'000
Post-employment benefits summary		
Fair value of plan assets	8,840	7,704
Defined benefit obligation	(15,669)	(16,528)
Net defined benefit liability	**(6,829)**	**(8,824)**

17 Post-employment benefits (continued)

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

	LPFA		LCPF	
	2022	**2021**	**2022**	**2021**
	£'000	**£'000**	**£'000**	**£'000**
Reconciliation of defined benefit obligation				
Defined benefit obligation at start of year	**16,528**	**24,579**	**-**	**17,919**
Current service cost	42	544	-	212
Past service cost	72	-	-	-
Benefits paid	(150)	(333)	-	(12)
Contributions by employees	7	143	-	49
Interest cost	337	352	-	70
Scheme settlements	(66)	(16,398)	-	(21,559)
Remeasurements				
Effect of changes in financial assumptions	(1,134)	7,967	-	3,321
Effect of changes in demographic assumptions	-	(154)	-	-
Effect of experience adjustments	33	(172)	-	-
Defined benefit obligation at end of year	**15,669**	**16,528**	**-**	**-**

	LPFA		LCPF	
	2022	**2021**	**2022**	**2021**
	£'000	**£'000**	**£'000**	**£'000**
Reconciliation of fair value of plan assets				
Fair value of plan assets at beginning of year	**7,704**	**13,159**	**-**	**12,031**
Benefits paid	(150)	(333)	-	(12)
Interest income on scheme assets - employer	157	174	-	47
Administrative expenses and taxes	(10)	(17)	-	(4)
Employer contributions	47	214	-	112
Contributions by employees	7	143	-	49
Scheme settlements	(17)	(7,006)	-	(12,845)
Remeasurements				
Return on scheme assets less interest income	1,102	1,370	-	622
Fair value of plan assets at end of year	**8,840**	**7,704**	**-**	**-**

17 Post-employment benefits (continued)

	LPFA	
	2022	2021
	£'000	£'000
Analysis of assets		
Equities	4,237	3,537
Private equity	794	649
Diversifying strategies	939	854
Real Estate	793	701
Infrastructure	901	653
Fixed income	245	325
Credit	720	634
Cash and other	211	351
Total assets	**8,840**	**7,704**

	LPFA		LCPF	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Defined benefit costs recognised in income statement				
Current service cost	42	544	-	212
Past service cost	72	-	-	-
Net interest on defined liability	180	178	-	23
Administrative expenses and taxes	10	17	-	4
Scheme settlements	(49)	(9,392)	-	(8,714)
Total defined benefit costs recognised in income statement	**255**	**(8,653)**	**-**	**(8,475)**

	LPFA		LCPF	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Defined benefit (gain)/loss recognised in other comprehensive income				
Return on scheme assets less interest income	(1,102)	(1,370)	-	(622)
Effect of changes in financial assumptions	(1,134)	7,967	-	3,321
Effect of changes in demographic assumptions	-	(154)	-	-
Effect of experience adjustments	33	(172)	-	-
Total defined benefit (gain)/loss recognised in other comprehensive income	**(2,203)**	**6,271**	**-**	**2,699**

17 Post-employment benefits (continued)

Sensitivity analysis

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

Approximate increase to defined benefit obligation

	LPFA	
	%	£'000
0.10% decrease in discount rate	2.50%	392
0.10% increase in long-term salary increases	0.23%	36
0.10% increase in pension increases	2.26%	354
+1.00 year in life expectancy assumption	3.80%	595

Reconciliation of funded position:

	LPFA
	£'000
Net defined benefit liability at start of the year	**(8,824)**
Expense recognised in profit and loss	(304)
Gain recognised in other comprehensive income	2,203
Transfer of assets and liabilities	49
Employer contributions	47
Net defined benefit liability at end of the year	**(6,829)**

No amounts were included in the cost of assets. (2021: £Nil).

No amounts included in assets relate to property leased by the Company (2021: £Nil).

LPPA	LPFA		LCPF	
	2022	2021	2022	2021
	%	%	%	%
The principal actuarial assumptions used were as follows:				
Discount rate	2.6	2.1	2.8	2.2
Future salary increases	4.1	3.8	4.7	4.2
Future pension increases (CPI)	3.1	2.8	3.3	2.7
Inflation assumption (RPI)	3.6	3.4	4.0	3.4

	LPFA		LCPF	
	2022	2021	2022	2021
Longevity at age 65 for current pensioners				
- Men	21.6	21.5	22.3	21.9
- Women	23.8	23.7	25.0	24.6
Longevity at age 65 for future pensioners				
- Men	22.9	22.8	23.0	22.7
- Women	25.3	25.2	26.8	25.8

17 Post-employment benefits (continued)

	LPFA		LCPF	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Post-employment benefits summary				
Fair value of plan assets	7,621	6,302	18,285	14,284
Defined benefit obligation	(15,063)	(15,082)	(26,988)	(23,190)
Net defined benefit liability	**(7,442)**	**(8,780)**	**(8,703)**	**(8,906)**

	LPFA		LCPF	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Reconciliation of defined benefit obligation				
Defined benefit obligation at start of year	**15,082**	**-**	**23,190**	**-**
Current service cost	825	667	2,266	1,417
Past service cost	-	-	-	61
Benefits (paid) / received	(45)	(5)	480	(120)
Contributions by employees	115	105	427	264
Interest cost	310	175	519	289
Scheme introductions	-	12,687	-	21,559
Remeasurements				
Effect of changes in financial assumptions	(1,246)	1,725	(667)	(280)
Effect of changes in demographic assumptions	-	(184)	713	-
Effect of experience adjustments	22	(88)	60	-
Defined benefit obligation at end of year	**15,063**	**15,082**	**26,988**	**23,190**

	LPFA		LCPF	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Reconciliation of fair value of plan assets				
Fair value of plan assets at beginning of year	**6,302**	**-**	**14,284**	**-**
Benefits (paid) / received	(45)	(5)	480	(120)
Interest income on scheme assets - employer	132	79	335	177
Administrative expenses and taxes	(8)	(6)	(37)	(23)
Employer contributions	196	179	956	648
Contributions by employees	115	105	427	264
Scheme introductions	-	5,609	-	12,845
Remeasurements				
Return on scheme assets less interest income	929	341	1,840	493
Fair value of plan assets at end of year	**7,621**	**6,302**	**18,285**	**14,284**

17 Post-employment benefits (continued)

	LPFA		LCPF	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Analysis of assets				
Equities	3,653	2,894	8,791	6,700
Private equity	685	531	1,507	1,143
Diversifying strategies	809	699	172	-
Real Estate	684	573	1,887	2,028
Infrastructure	776	534	2,083	1,714
Fixed income	211	266	795	471
Credit	621	518	2,447	1,914
Cash and other	182	287	603	314
Total assets	**7,621**	**6,302**	**18,285**	**14,284**

	LPFA		LCPF	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Defined benefit costs recognised in income statement				
Current service cost	825	667	2,266	1,417
Past service cost	-	-	-	61
Net interest on defined liability	178	96	184	112
Administrative expenses and taxes	8	6	37	23
Scheme introductions	-	7,078	-	8,714
Total defined benefit costs recognised in income statement	**1,011**	**7,847**	**2,487**	**10,327**

	LPFA		LCPF	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Defined benefit (gain)/loss recognised in other comprehensive income				
Return on scheme assets less interest income	(929)	(341)	(1,840)	(493)
Effect of changes in financial assumptions	(1,246)	1,725	(667)	(280)
Effect of changes in demographic assumptions	-	(184)	713	-
Effect of experience adjustments	22	(88)	60	-
Total defined benefit (gain)/loss recognised in other comprehensive income	**(2,153)**	**1,112**	**(1,734)**	**(773)**

17 Post-employment benefits (continued)

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**
0.10% decrease in discount rate	3.16%	476	2.41%	651
0.10% increase in long-term salary increases	0.67%	101	0.50%	134
0.10% increase in pension increases	2.48%	373	2.47%	667
+1.00 year in life expectancy assumption	3.67%	553	2.85%	770

Reconciliation of funded position:

	LPFA	LCPF	Total
	£'000	**£'000**	**£'000**
Net defined benefit liability at start of the year	**(8,780)**	**(8,906)**	**(17,686)**
Expense recognised in profit and loss	(1,011)	(2,487)	(3,498)
Gain recognised in other comprehensive income	2,153	1,734	3,887
Transfer of assets and liabilities	-	-	-
Employer contributions	196	956	1,152
Net defined benefit liability at end of the year	**(7,442)**	**(8,703)**	**(16,145)**

No amounts were included in the cost of assets. (2021: £Nil).

No amounts included in assets relate to property leased by LPPA (2021: £Nil).

Total Post-employment benefits position

	2022	2021
	£'000	**£'000**
Fair value of plan assets	25,906	20,586
Defined benefit obligation	(42,051)	(38,272)
Net defined benefit liability	**(16,145)**	**(17,686)**

17 Post-employment benefits (continued)

LPPI

	LPFA 2022 %	LPFA 2021 %	LCPF 2022 %	LCPF 2021 %
The principal actuarial assumptions used were as follows:				
Discount rate	2.6	2.1	2.8	2.2
Future salary increases	4.1	3.8	4.7	4.2
Future pension increases (CPI)	3.1	2.8	3.3	2.8
Inflation assumption (RPI)	3.6	3.4	4.0	3.4

	LPFA 2022	LPFA 2021	LCPF 2022	LCPF 2021
Longevity at age 65 for current pensioners				
- Men	23.0	22.9	22.3	21.9
- Women	24.4	24.3	25.0	24.6
Longevity at age 65 for future pensioners				
- Men	24.3	24.2	23.7	22.7
- Women	25.8	25.7	26.8	25.8

	LPFA 2022 £'000	LPFA 2021 £'000	LCPF 2022 £'000	LCPF 2021 £'000
Post-employment benefits summary				
Fair value of plan assets	8,549	6,675	4,242	3,495
Defined benefit obligation	(15,656)	(14,522)	(6,762)	(6,197)
Net defined benefit liability	**(7,107)**	**(7,847)**	**(2,520)**	**(2,702)**

	LPFA 2022 £'000	LPFA 2021 £'000	LCPF 2022 £'000	LCPF 2021 £'000
Reconciliation of defined benefit obligation				
Defined benefit obligation at start of year	**14,522**	**5,178**	**6,197**	**4,768**
Current service cost	2,404	1,683	309	275
Benefits (paid) / received	(1)	229	-	47
Contributions by employees	482	548	77	89
Interest cost	294	180	137	111
Scheme (settlements)/introductions	(770)	3,637	-	-
Remeasurements				
Effect of changes in financial assumptions	(1,321)	3,356	(168)	907
Effect of changes in demographic assumptions	-	(127)	196	-
Effect of experience adjustments	46	(162)	14	-
Defined benefit obligation at end of year	**15,656**	**14,522**	**6,762**	**6,197**

17 Post-employment benefits (continued)

	LPFA 2022 £'000	LPFA 2021 £'000	LCPF 2022 £'000	LCPF 2021 £'000
Reconciliation of fair value of plan assets				
Fair value of plan assets at beginning of year	**6,675**	**3,097**	**3,495**	**2,864**
Benefits (paid) / received	(1)	229	-	47
Interest income on scheme assets - employer	143	117	79	69
Administrative expenses and taxes	(9)	(4)	(5)	(6)
Employer contributions	648	729	159	172
Contributions by employees	482	548	77	89
Scheme (settlements)/introductions	(422)	1,380	-	-
Remeasurements				
Return on scheme assets less interest income	1,033	579	437	260
Fair value of plan assets at end of year	**8,549**	**6,675**	**4,242**	**3,495**

	LPFA 2022 £'000	LPFA 2021 £'000	LCPF 2022 £'000	LCPF 2021 £'000
Analysis of assets				
Equities	4,098	3,064	2,037	1,639
Private equity	768	563	348	280
Diversifying strategies	908	740	38	-
Real Estate	767	607	369	496
Infrastructure	871	566	484	420
Fixed income	237	282	182	115
Credit	696	549	568	468
Cash and other	204	304	216	77
Total assets	**8,549**	**6,675**	**4,242**	**3,495**

	LPFA 2022 £'000	LPFA 2021 £'000	LCPF 2022 £'000	LCPF 2021 £'000
Defined benefit costs recognised in income statement				
Current service cost	2,404	1,683	309	275
Net interest on defined liability	151	63	58	42
Administrative expenses and taxes	9	4	5	6
Scheme (settlements)/introductions	(348)	2,257	-	-
Total defined benefit costs recognised in income statement	**2,216**	**4,007**	**372**	**323**

17 Post-employment benefits (continued)

	LPFA		LCPF	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Defined benefit (gain)/loss recognised in other comprehensive income				
Return on scheme assets less interest income	(1,033)	(579)	(437)	(260)
Effect of changes in financial assumptions	(1,321)	3,356	(168)	907
Effect of changes in demographic assumptions	-	(127)	196	-
Effect of experience adjustments	46	(162)	14	-
Total defined benefit (gain)/loss recognised in other comprehensive income	**(2,308)**	**2,488**	**(395)**	**647**

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
0.10% decrease in discount rate	3.35%	525	2.43%	164
0.10% increase in long-term salary increases	0.13%	21	0.58%	39
0.10% increase in pension increases	3.20%	501	2.48%	168
+1.00 year in life expectancy assumption	3.63%	569	2.77%	187

Reconciliation of funded position:

	LPFA £'000	LCPF £'000	Total £'000
Net defined benefit liability at start of the year	**(7,847)**	**(2,702)**	**(10,549)**
Expense recognised in profit and loss	(2,216)	(372)	(2,588)
Gain recognised in other comprehensive income	1,960	395	2,355
Transfer of assets and liabilities	348	-	348
Employer contributions	648	159	807
Net defined benefit liability at end of the year	**(7,107)**	**(2,520)**	**(9,627)**

No amounts were included in the cost of assets. (2021: £Nil).

No amounts included in assets relate to property leased by LPPI (2021: £Nil).

Total Post-employment benefits position

	2022 £'000	2021 £'000
Fair value of plan assets	12,791	10,170
Defined benefit obligation	(22,418)	(20,719)
Net defined benefit liability	**(9,627)**	**(10,549)**

18 Share Capital

	Number	£'000
Ordinary shares of £1 each allotted and fully paid		
At 1 April 2021	**25,000,002**	**25,000**
Issued during the year	-	-
At 31 March 2022	**25,000,002**	**25,000**

During the year no ordinary shares were issued.

There are three classes of ordinary shares. X shares have no voting rights but have full rights in respect of dividends and distributions. Only A and B shares have full rights in the Company with respect to voting, dividends and distributions.

19 Reserves

Presented separately in previous years, the retirement benefit obligation reserve has been subsumed by the profit and loss account. This reclassification has been done to aid users in the understanding of the financial statements. The retirement benefit obligation reserve amount reclassified was negative £19,572,000 (net of deferred tax), based on the balance as of 1 April 2021.

20 Deferred taxation

	2022 £'000	2021 £'000
The provision for deferred tax consists of the following deferred tax assets:		
Accelerated capital allowances	(143)	16
Post-employment benefits	2,286	1,981
Total asset	**2,143**	**1,998**

21 Capital and other commitments

	2022 £'000	2021 £'000
Contracts for future capital expenditure not provided in the financial statements	**822**	**1,597**

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

Payment due	2022 £'000	2021 £'000
Not later than one year	1,592	1,485
Later than one year and not later than five years	2,291	798
Total	**3,883**	**2,283**

22 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.

The Key Management Personnel emoluments paid by the Group total £3,945,481 (2021 - £3,510,285) for the year.

The Directors of LPP had no transactions with the Company or its subsidiaries during the year other than service contracts and Directors' liability insurance. A summary of Directors' remuneration is disclosed in the notes to the accounts.

23 Contingent liabilities

There are no contingent assets or liabilities. (2021: £Nil).

24 Controlling party

The Company is a joint venture and its ultimate parents and controlling parties are LPFA and LCC. These financial statements are available upon request from the Company Secretary, Local Pensions Partnership Ltd, First Floor, 1 Finsbury Avenue, London EC2M 2PF.

25 Events after the end of the reporting period

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

Lancashire County Council

Pension Fund Committee
Meeting to be held on Friday, 25 November 2022

Electoral Division affected:
N/A;

Budget Monitoring Q2 - 2022/23
(Appendix 'A' refers)

Contact for further information:
Sean Greene, Head of Fund, Sean.Greene@lancashire.gov.uk

Executive Summary

This report sets out the income and expenditure of the Fund for the 6-month period to 30 September 2022 and provides a forecast for the year ending 31 March 2023.

Recommendation

The Committee is asked to review the financial results for the 6 months to 30 September 2022 and note the budget and forecast variances, as set out in the report.

Background and Advice

The budget for the financial year ending 31 March 2023 (based on the information available at that time) was approved by the Pension Fund Committee on Friday 11th March 2022. The forecast provided gives the latest estimate of expenditure and income for the financial year in view of updated information to date.

Details are shown in Appendix 'A' with significant variances by budget line set out below.

Contribution's income

Actual £81.7m (Budget £164.2m, revised forecast at Q2 £171.9m)

Actual employer and employee contributions have remained largely in line with the previous forecast for the 6 months to 30 September 2022, however, there has since been an agreement on the local government pay settlement for 2022/23. The forecast has been revised to take the estimated impact of the pay award into account, it is anticipated the backdated contributions will be received in Q3.

Transfers In

Actual £9.1m (Budget £13.2m, forecast at Q2 £15.7m)

Income from transfers is dependent on the number and timing of new members joining the Fund and is not an item that can be predicted with great accuracy. The actual is within the anticipated range.

Investment income

Actual £123.2m (Budget £209.6m, forecast at Q2 £209.6m)

Investment income consists mainly of income from the pooled investment funds (95% of the budget). Also included are direct property rental income, interest, foreign exchange differences and tax refunds.

Over the 6 months to 30 September 2022 investment income received has been above budget by £18.4m. However, with the predicted economic difficulties throughout the world it is not unreasonable to anticipate a fall in income in the rest of the year therefore the forecast remains at the budgeted level but may be updated in the next quarter.

Total benefits payable

Actual £158.5m (Budget £309.5m, forecast at Q2 £315.7m)

The forecast for the year is broadly in line with budget, with an overall adverse variance due to both pensions paid and lump sum benefits in excess of budget.

Transfers out

Actual £7.9m (Budget £15.7m, forecast at Q2 £15.8m)

The cost of transfers out of the Fund is dependent on the number and timing of members transferring their benefits to other funds. The actual is broadly in line with expectations.

Investment management expenses

Actual £38.5m (Budget £154.5m, forecast at Q2 £154.5m)

Investment management expenses encompass fees related to the ongoing management, custody, and performance of investments.

Management fees

Management fees (related to ongoing management) are expected to directly relate to the value of the assets. At the point that the budget is set, management fees are estimated based on asset values at that point projected forwards. Actual experience during the year to date has shown that asset values have decreased which is against the projection. During the 6 months to 30 September 2022, the value of the Fund's assets has decreased from £10.8 billion to £10.6 billion, and this asset performance will result in a slight decrease in management fees.

Performance fees

Performance related fees are highly difficult to estimate as they are dependent on returns generated over a particular period, there are specific thresholds to be met before being payable and provisions whereby prior performance fees can be returned to investors. The budget/estimate for the current year is based on the previous year's actual performance fees subject to some relevant adjustments. Differences between budgeted / estimated fees and actual fees are likely to be exacerbated by periods of market volatility under this approach.

Overall position

The 6-month actuals to 30th September do appear low in relation to the annual budget which is not unusual for the first couple of quarters. Whilst it is recognised that the performance of the fund is not as strong as previous years the forecast has not been amended due to uncertainty over the investment outlook and the Funds' performance in the 6 months to 31 March 2023.

Fund administration and oversight and governance fees

Actual £2.8m (Budget £6.3m, forecast at Q2 £6.2m)

These cover the cost for administration expenses payable to Local Pensions Partnership Administration Limited comprises core administration services, charged on a cost per member basis as well as costs such as staff, legal and actuarial fees incurred in running the fund.

Consultations

Local Pensions Partnership Investments Limited has been consulted for investment management fee and investment income analysis.

Implications:

This item has the following implications, as indicated:

Risk management

The full year financial performance is included in the Fund's annual report and statement of accounts for the year ended 31 March 2022. Regular budget monitoring is a key control for the Fund and assists in the financial management of the Fund, providing an indication of significant variances from expectations and informing future budgets.

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	Date	Contact/Tel
N/A		

Reason for inclusion in Part II, if appropriate

N/A

Lancashire County Pension Fund
Fund Account - Year ending 31 March 2023

	PRIOR YEAR ACTUAL Year ended 31 March 2021 £'000	BUDGET Year ending 31 March 2023 £'000	ACTUAL 6 months ended 30 September 2022 £'000	FORECAST Year ending 31 March 2023 £'000	FORECAST VARIANCE Year ending 31 March 2023 £'000	FORECAST VARIANCE Year ending 31 March 2023 % of budget	FAVOURABLE / ADVERSE
INCOME							
Contributions Receivable							
From Employers							
Future service rate contributions	(86,912)	(85,202)	(42,666)	(88,618)	(3,416)	(4.0%)	FAV
Deficit recovery contributions	(5,005)	(5,428)	(3,625)	(6,282)	(854)	(15.7%)	FAV
Pension strain / augmented pensions	(1,879)	(4,534)	(756)	(3,023)	1,511	33.3%	ADV
From Employees	(67,656)	(69,082)	(34,690)	(73,960)	(4,877)	(7.1%)	FAV
Total contributions receivable	**(161,452)**	**(164,246)**	**(81,738)**	**(171,882)**	**(7,636)**	**(4.6%)**	FAV
Transfers in	(15,860)	(13,180)	(9,074)	(15,664)	(2,484)	(18.8%)	FAV
Total Investment Income	(203,275)	(209,564)	(123,150)	(209,564)	0	0.0%	FAV
TOTAL INCOME	**(380,587)**	**(386,990)**	**(213,961)**	**(397,110)**	**(10,120)**	**(2.6%)**	FAV
EXPENDITURE							
Benefits Payable							
Pensions	252,862	259,774	132,351	264,701	4,928	1.9%	ADV
Lump Sum Benefits	53,442	49,731	26,120	50,986	1,255	2.5%	ADV
Total benefits payable	**306,305**	**309,504**	**158,471**	**315,687**	**6,182**	**2.0%**	ADV
Transfers out	13,422	15,673	7,924	15,761	88	0.6%	ADV
Refund of Contributions	849	872	446	882	10	1.2%	ADV
Fund administrative expenses							
Administrative and processing expenses:							
Total administrative expenses (includes LPP expenses)	4,128	4,368	2,048	4,460	92	2.1%	ADV
Total administrative expenses	**4,128**	**4,368**	**2,048**	**4,460**	**92**	**2.1%**	ADV
Investment management expenses							
Investment management fees:							
LPP directly invoiced investment management fees	790	820	290	585	(235)	(28.7%)	FAV
DIRECTLY INVOICED non LPP investment management fees - direct holdings	179	190	87	190	0	0.0%	FAV
Investment management fees on pooled investments	161,425	150,000	36,006	150,000	0	0.0%	FAV
Custody fees	40	75	25	62	(13)	(16.8%)	FAV
Commission, agents charges and withholding tax	571	2,043	806	2,043	0	0.0%	FAV
Property expenses	2,918	1,360	1,240	1,360	(0)	(0.0%)	FAV
Total investment management expenses	**165,980**	**154,488**	**38,453**	**154,240**	**(247)**	**(0.2%)**	FAV
Oversight and Governance expenses							
Performance measurement fees (including Panel)	120	84	48	90	6	7.1%	ADV
Lancashire Local Pensions Board	7	12	6	12	0	0.0%	FAV
Other advisory fees (including abortive fees)	70	100	49	100	0	0.0%	FAV
Actuarial fees	197	300	110	300	0	0.0%	FAV
Audit fees	27	26	0	26	0	0.0%	FAV
Legal & professional fees	77	130	33	140	10	7.7%	ADV
LCC staff recharges	930	1,067	476	964	(103)	(9.6%)	FAV
Write offs		150	6	150	0	0.0%	FAV
Bank charges	5	4	2	4	0	0.0%	FAV
Total oversight and governance expenses	**1,375**	**1,873**	**730**	**1,786**	**(87)**	**(4.6%)**	FAV
TOTAL EXPENDITURE	**492,059**	**486,778**	**208,073**	**492,816**	**6,038**	**1.2%**	FAV
MONEY AVAILABLE FOR INVESTMENT BEFORE REALISED AND UNREALISED PROFITS AND LOSSES ON INVESTMENTS	**111,473**	**99,788**	**(5,888)**	**95,706**	**(4,082)**	**(4.1%)**	FAV

Appendix A

Lancashire County Council

Pension Fund Committee
Meeting to be held on Friday, 25 November 2022

Electoral Division affected:
None;

Feedback from members of the Committee on pension related training.

Contact for further information: Mike Neville, Tel: (01772) 533431, Senior Democratic Services Officer, mike.neville@lancashire.gov.uk

Brief Summary

An update on pension related training involving members of the Committee since the last meeting.

Recommendation

The Committee is asked to note the report and any feedback from individual members given at the meeting in relation to training they have received.

Detail

The Training Plan sets out the approach to supporting the learning/development needs of individuals with responsibility for the strategic direction, governance, and oversight of the Fund through their membership of the Pension Fund Committee or the Lancashire Local Pension Board.

Since the last meeting members of the Committee have attended or participated in the following pension related conference/events.

4th October 2022 Internal workshop on the Taskforce on Climate-related Financial Disclosures/Responsible Investment Update.
Participants – County Councillors F De Molfetta, A Gardiner, E Pope, A Schofield, D Westley and Co-opted members P Crewe and S Roylance.

12th/13th October 2022 PLSA Conference.
Attended by County Councillor E Pope and Councillor D Borrow

18th October 2022 Fundamentals Training.
County Councillor S Holgate was due to participate in the first of a of a three-day online training programme (with subsequent training to be given on 22nd November 2022 and 20th December 2022) but was replaced on the Committee on 17th September 2022. The cost of last two sessions was refunded.

1st November 2022 (morning) presentation on the Local Pensions Partnership Governance Review.
The above presentation was arranged in accordance with the decision of the Committee in September 2022 and was attended by County Councillors J Burrows, M Clifford, F De Molfetta, J Couperthwaite, E Pope, A Schofield and D Westley, and Co-opted members D Borrow, Ms J Eastham and P Crewe.

1st November 2022 (afternoon) Internal workshop on the LCPF Valuation.
Participants - County Councillors M Clifford, F De Molfetta, J Couperthwaite, E Pope, A Schofield, and Co-opted members D Borrow, Ms J Eastham, P Crewe, and Ms S Roylance.

Individual members of the Committee are invited to provide feedback on their experiences at the meeting.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

Without the required knowledge and skills, those charged with governance and decision making may be ill-equipped to make informed decisions regarding the direction and operation of the Pension Fund.

The Training Policy seeks to apply best practice and to ensure compliance with guidance from CIPFA and the Pensions Regulator. Failing to implement an adequate Training Policy and Framework and to regularly review the effectiveness of training arrangements would place the County Council (as Administering Authority) at risk of non-compliance with the Pensions Regulator's Code of Practice No. 14 (Governance and administration of public service pension schemes) and the legislative requirements that this code interprets.

Financial

Decisions made by the Pension Fund Committee have direct financial implications for the Fund. The Fund's Training Policy forms part of its governance and risk management arrangements which seek to ensure that the members of the Pension Fund Committee and the Lancashire Local Pension Board are well-informed, confident, and knowledgeable participants who work effectively and consistently in the best interests of the Fund and its stakeholders.

The cost of attendance, together with associated travel and subsistence costs, were met by the Lancashire County Pension Fund.

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	Date	Contact/Tel
Attendance at external Conferences and Events approved by the Head of Fund under the Scheme of Delegation to Heads of Service	24th June 2022 13th July 2022	Mike Neville (01772) 533431
Attendance sheet for internal pension related workshop.	4th October 2022 1st November 2022 1st November 2022	Mike Neville (01772) 533431

Reason for inclusion in Part II, if appropriate
N/A

Lancashire County Council

Pension Fund Committee
Meeting to be held on Friday, 25 November 2022

Electoral Division affected:
(All Divisions);

Responsible Investment Report
(Appendices 'A' and 'B' refer)

Contact for further information:
Catherine Hunt, , Senior Governance Officer, Lancashire County Pension Fund
(01772) 533757
catherine.hunt2@lancashire.gov.uk

Executive Summary

Responsible Investment encompasses a range of stewardship activities associated with Lancashire County Pension Fund (the Fund) fulfilling its duty to act in the best long-term interests of fund beneficiaries.

Set out at Appendix 'A' is a report from the Local Pensions Partnership Investments Limited which provides the Committee with an update on responsible investment matters during the third quarter of 2022 (July to September).

Recommendation

The Committee is asked to note the report.

Background

The report at Appendix 'A' has been prepared by the Head of Responsible Investment at Local Pensions Partnership Investments Limited (LPPI) and provides information on how the Fund is being supported to fulfil its commitment to long term responsible asset ownership in line with the approach set out within its Investment Strategy Statement and the Responsible Investment Policy approved by the Committee at its meeting in November 2021.

Attached as Appendix 'B' is the dashboard style report together with the qualitative overview of LPPI stewardship activities for the third quarter of 2022 (July - September).

Other matters of note for the Committee:

Key Points from LPPI Responsible Investment Report Q3 2022

- Compared with Q2 2022, the following Climate Change metrics are as follows:
    - Brown exposure has decreased from 2.63% to 2.52% of the portfolio. The biggest contributor to the decreased exposure is from the Infrastructure asset class with several companies identified as Brown having exited from their respective funds;
    - There has been an increase in green activities from 3.99 to 4.21%. The biggest contributor to the increased exposure is from the Infrastructure asset class.

- LPPI signed up as an 'endorser' to the PRI Advance initiative, which aims to support institutional investors to collaborate and act on human rights and social issues. The initial focus sectors are Metals & Mining and Renewables.

- PRI results for 2021 are now available based on a new assessment framework. LPPI will review and provide an update in their next quarterly report.

- LPPI have received formal confirmation from the IIGCC (Institutional Investors Groupon Climate Change) that their net zero targets have been accepted, which means they are in line with the Net Zero Asset Managers commitment they have made. This represents an important milestone in the journey to net zero for LPPI and their clients. The initial target disclosure (November 2022) is 42% of total AUM with USD $12.4 billion currently committed to be managed in line with net zero.

Local Authority Pension Fund Forum (LAPFF)

LAPFF business meeting and AGM on the 5th October 2022 was held online due to train strikes.

- **LAPFF Executive Elections for 2022** - the results of the LAPFF nomination process and election were announced confirming The Chair of the Lancashire Pension Fund Committee (and existing LAPFF executive member) County Councillor E Pope, will continue in his role for a further year.
- **Drax & Biomass Energy –** LAPFF advised that they are pursuing recent concerns highlighted in the media around Drax's operation in respect of burning wood biomass. Drax (based in Yorkshire) burns wood pellets imported from the US, providing 12% of the UK's renewable electricity.
- **Brazil Update-** The Chair advised that a 3 week visit to Brazil in the summer had proved to be an incredibly valuable engagement and a full report on the trip would be published later. It will focus on human rights/stakeholder engagement, environmental impacts, and prevention. The Chair reported that while there has been some progress there is still lots to do and the pace of change is concerning.
- **Human Rights in Mining Communities-** report was shared with recommendations for investors due to the concerning human rights, environmental and climate change impacts by mining companies.

- **Climate Change Committee** reported to Parliament on its assessment of the Government's performance in combatting climate change. The UK Government has emission targets compliant with the Paris agreement with a credible strategy to reach these. However, gaps remain, and more detailed plans are still needed to achieve full electricity decarbonisation by 2035.

Papers from the AGM and dates of future meetings can be made available on request.

The annual LAPFF conference is due to take place between 7th and 9th December 2022. A representative of the Pension Fund will attend, and issues covered will include human rights, Challenges facing ESG, Remuneration: CEO Pay, Levelling up and Transition planning.

Taskforce on Climate-related Financial Disclosures (TCFD) Consultation

A consultation is open on how the UK's Local Government Pension Scheme LGPS can be administered in alignment with TCFD. It is helpful that the private sector has already been/is going through implementation of these requirements and, regarding LGPS specifically, the consultation indicates that there will be more prescription in what metrics are required and Department for Levelling Up, Housing and Communities guidance to help in implementation. A response from LPPI will be provided ahead of the deadline of 24th November 2022.

Public Campaign Queries

The Fund have not received any queries in the last quarter.

Consultations

Frances Deakin, the Head of Responsible Investment at the Local Pensions Partnership Investments Limited, was consulted regarding this report.

Implications:

This item has the following implications, as indicated:

Risk management

It is an important component of good governance that the Fund is an engaged and responsible investor committed to actions which are in the best long-term interests of fund members and beneficiaries.

The monitoring of investee companies and the promotion of good corporate governance practices can help to reduce the risk of unexpected losses resulting from poor oversight and lack of independence.

Responsible investment practices underpin the fulfilment of the Fund's fiduciary responsibilities to Fund beneficiaries and are implemented in practice through the advisory and investment management services provided by Local Pensions Partnership Investments Limited.

Quarterly Reports provide information to the Pension Fund Committee on the stewardship of the Fund's assets by Local Pensions Partnership Investments Limited and enable the Committee to monitor the activities undertaken.

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	Date	Contact/Tel
Robeco Active Ownership Report Q3-2022	01/07/22 to 30/09/22	Catherine Hunt (01772) 533757

Reason for inclusion in Part II, if appropriate   N/A

Lancashire County Pension Fund (LCPF) Responsible Investment Report – Q3 2022

This report has been prepared by LPPI for Lancashire County Pension Fund (LCPF) as a professional client.

1. Introduction

This report on Responsible Investment (RI) is a companion to the LPPI RI Dashboard (Appendix B) and the Quarterly Active Ownership Report (available from the online Pensions Library).

It covers stewardship in the period 1st July - 30th September 2022 plus insights on current and emerging issues for client pension funds.

[R] This symbol indicates a term explained in the reference section at the end of this report.

Key takeaways for the period:

- In Q3 2022 LPPI voted on 94% of company proposals, supporting 82% of these.
- Investments in Brown sectors (extraction, transportation, storage, supply, and generation of energy from fossil fuels) are 2.52% of the portfolio.
- Investments in Green sectors (renewable energy generation, clean technology, and decarbonising activities) are 4.21% of the portfolio.
- The PRI results for the 2021 reporting cycle have now been published and you can find LPPI's full report here. The PRI followed a new assessment framework for this submission so LPPI will take time to review the full set of feedback and results and will share an update in the next quarterly report.
- LPPI signed up as an 'endorser' to the PRI Advance initiative, which aims to support institutional investors to collaborate and take action on human rights and social issues. The initial focus sectors are Metals & Mining and Renewables.
- LPPI have received formal confirmation from the IIGCC[R] (Institutional Investors Group on Climate Change) that our first set of Net Zero targets have been accepted.

2. RI Dashboard – Portfolio Characteristics

This section of the report shares key takeaways from the RI Dashboard at Appendix B.

Asset class metrics (*Dashboard pages 1 & 2*) offer insights on the composition of the portfolio and its general characteristics. See the summary for Q3 2022 outlined below.

Listed equities (Dashboard p1)

Sector Breakdown

Categorised by GICS[R] the largest sectoral exposures for the GEF are Information Tech. (27%), Consumer Staples (15%), and Financials (14%).

Comparing the GEF with its benchmark (MSCI ACWI)[R] gives insight into how sector exposures for the fund differ from a global market index. The length of each horizontal bar indicates by how much exposures differ in total (+ or –) compared with the benchmark, which is the outcome of active managers making stock selection decisions rather than passively buying an index.

Top 10 Positions

The top 10 companies (10 largest positions) make up 24% of the total LPPI GEF.

In Q3 2022 Microsoft remains the largest holding in the GEF. Visa and Nestlé remain in the top three, although they have now swapped positions, with Nestlé above Visa. Alphabet and Diageo have both moved up 1 position. Accenture moved down 1 position, whilst Pepsico remained the same. Colgate, SPDR Gold Shares and Autozone were replaced by Intuit, Apple and Starbucks, which makes up the last positions in the top 10.

Portfolio ESG Score

The GEF's Portfolio ESG score has decreased from 5.8 to 5.7 between Q2 and Q3. In the same period the equivalent score for the benchmark had not changed, at 5.5.

Transition Pathway Initiative (TPI)

Monitoring against TPI[R] Management Quality ratings confirms the GEF continues its relatively low exposure to highly carbon intensive activities with minimal changes in ratings since Q2. By value, the coverage of the GEF represented within the globally high emitting companies under TPI assessment has increased from 10% to 11%, between Q2 and Q3.

The number of GEF companies in scope of TPI scoring has increased by 5 since Q2 2022, changing from 25 to 30. This increase represents an expansion to the TPI universe, bringing more companies in the portfolio into scope. There are six new companies in scope, all with ratings ranging between TPI 1 and TPI 4. Our existing monitoring approach of carrying out enhanced due diligence on those rated below TPI 3 will also apply to new companies in scope following the universe expansion. One company has dropped out of scope as it is no longer in the portfolio.

Of the 30 companies in TPI scope:

- 94% (by value) are rated TPI 3 and above – demonstrably integrating climate change into their operational planning (TPI3) and into their strategic planning (TPI 4). This is down from 96% in Q2 2022, which is a general reflection of the additional companies bringing down the ratio.
- 7 companies are scored below TPI 3 and are under monitoring.

Governance Insights

These metrics provide insights on governance issues for the GEF using data from ISS DataDesk (Institutional Shareholder Services) our provider of shareholder voting services.

Women on the board: A measure of gender diversity confirming the average proportion of female board members for companies in the GEF (where data is available).

In **Q3 2022**, an average of 29% of board members were female in the GEF. There was a coverage of 83% data availability, which was a result of several companies not being in scope of the ISS database.

Board independence: The average proportion of board members identified by ISS as independent. Please note independence expectations vary across markets with LPPI generally favouring greater independence as a route to an appropriate breadth of ideas, skills and experiences being drawn upon.

In **Q3 2022**, on average 69% of board members were independent in the GEF. There was a coverage of 83% data availability, which was a result of several companies not being in scope of the ISS database.

Say-on-pay: The average level of investor support for the most recent say-on-pay vote at a company meeting. Please note not all markets require say-on-pay votes. A vote of greater than 20% against (support < 80%) is generally considered significant.

In **Q3 2022**, an average of 88% were in support for say on pay, which indicates a high proportion of investors were supportive of the pay policies of investee companies. There was a coverage of 72% data availability, which was a result of several companies not being in scope of the ISS database.

<u>Other asset classes (Dashboard p2)</u>

Private Equity

Sector and geographical exposures remained similar to those reported in Q2 2022. The portfolio continued to have a strong United States presence (50%) and largest sector exposure is to Information Technology (31%).

The Real-World Outcomes section of the dashboard features examples of socially positive investments and this quarter the focus is on Private Equity. Pages 6-7 share information on a selection of investments within the LCPF portfolio which are based in the UK and abroad.

Infrastructure

The geographical exposures to UK based infrastructure remained unchanged from Q2 2022 at 52%. The largest sectoral exposure remained in Traditional Energy, Renewable Energy, Waste, which makes up 35% of the portfolio.

Real Estate

The geographical exposures continued to be largely deployed in the UK, slightly reducing from 74% in Q2 2022 to 73% of the portfolio in Q3. The largest sectoral exposure continued to be Industrial assets, remaining unchanged at 43% of the portfolio.

Green & Brown Exposures

Calculation of the Fund's exposure to Green and Brown activities focusses specifically on equity assets (Listed Equity, Private Equity, and Infrastructure) plus corporate bonds within Fixed Income. Figures give an indication, rather than a precise measure, as an assistance to reviewing the overall position.

Green activities are those directly contributing to real world decarbonisation, principally through renewable energy generation, but include other activities supporting lower emissions including district heating, and waste management. Brown activities are those directly involved with extracting, transporting, storing, and otherwise supplying fossil fuels, or using them to generate energy.

The dashboard presents information on the trend in Green and Brown exposures (commencing in Q4 2019). Quarterly changes in Green and Brown exposure reflect multiple factors at play including funds reaching maturity, assets being revalued, and investments being made and sold. The total value of the Lancashire County Pension Fund (LCPF) portfolio (as the denominator) also affects Brown and Green % shares quarterly.

Compared with Q2 2022, Brown exposure has had a minor decrease from 2.63% to 2.52%. The biggest contributor to the decreased exposure is from the Infrastructure asset class. This quarter, figures reflect several companies identified as Brown having exited from their respective funds. This has decreased Infrastructure's Brown exposure from 2.19% in Q2 to 2.08% of the portfolio in Q3. Other contributing factors have been a mark-to-market decrease in the respective sector's performance of Brown positions held in Infrastructure and Fixed Income.

Compared with Q2 2022, Green activities have increased from 3.99% to 4.21% of the portfolio. The biggest contributor to the increased exposure is from the Infrastructure asset class. This is a reflection of a good mark-to-market increase, demonstrating the sector's strong performance of Green positions held in Infrastructure. This has increased Infrastructure's Green exposure from 3.87% in Q2 to 4.15% of the portfolio in Q3.

Investments in renewable energy generation from wind, solar, hydro, and waste make up 84% of total Green exposure, and 99% of Green exposure is via Infrastructure assets.

3. Core Stewardship

This section of the report gives an overview of stewardship activities in the last quarter. Client pension funds delegate day to day implementation of the Partnership's Responsible Investment approach to Local Pensions Partnership Investments Ltd (LPPI). Ongoing stewardship activities by LPPI include portfolio and manager monitoring and the exercise of ownership responsibilities via shareholder voting, and engagement.

Shareholder Voting - LPPI Global Equity Fund (GEF) *(Dashboard page 3)*

Shareholder voting is overseen centrally by LPPI rather than by individual asset managers. LPPI receives analysis and recommendations from an external provider of proxy voting and governance research. We follow Sustainability Voting Guidelines focussed on material ESG considerations and liaise with providers and asset managers as needed to reach final voting decisions.

Full details of all shareholder voting by LPPI are publicly available from the LPP website within quarterly shareholder voting reports.

The period 1st July – 30th September 2022 encompassed 53 meetings and 485 resolutions voted. LPPI voted at 94% meetings where GEF shares entitled participation. The shortfall reflects the application of Do Not Vote to two Russian positions that were not fully liquidated before trading restrictions were introduced, and one company in a shareblocking market where LPPI applies Do Not Vote to maintain liquidity.

Company Proposals

LPPI supported 82% of company proposals in the period.

Voting against management concentrated on:
- non-salary compensation: 41% (addressing inadequate disclosure of underlying performance criteria, use of discretion, and the quantum of proposed rewards).
- the election of directors: 33% (addressing individual director issues, overall board independence, and over-boarding).

Case Study – Director Related

LPPI voted against 21 director-related resolutions across 15 companies. This was approximately 10% of all director-related votes.

LPPI voted against 14 resolutions across nine companies due to a lack of Board independence. Results (where disclosed): 3.9% - 16.7% Against.

LPPI voted against one director due to the lack of diversity on the Board. Result: 4.5% Against.

Case Study – Non-Salary Compensation

LPPI voted against 26 compensation resolutions across 15 companies. This was approximately 41% of compensation-related votes. Of the 26 votes LPPI opposed, one received a majority of votes against.

At Black Knight (USA: Application Software), LPPI voted against the advisory vote on golden parachutes (pay outs to executives who depart following a merger). Approximately half the payment was attributed to a potential discretionary bonus, with no rationale shared for its magnitude. Result: 82.3% Against.

At Berkeley Group Holdings (UK: Homebuilding), LPPI voted against the remuneration policy. The Remuneration Committee did not provide a compelling rationale for the introduction of new elements, including a long-term option plan, which raised concerns around the magnitude of total remuneration. Result: 39.7% Against.

At Nike (USA: Footwear), LPPI voted against the say on pay. This was driven by factors including: the majority of the long-term incentive plan comprised awards lacking performance conditions, and the awarding of annual bonus payments to plan members that did not meet threshold performance targets. Result: 35.1% Against.

Shareholder Proposals

LPPI supported two of six (33.3%) shareholder resolutions over the quarter.

Four out of the six shareholder resolutions came from an activist fund targeting Compagnie Financiere Richemont (Switzerland: Apparel, Accessories, and Luxury Goods). LPPI supported two of the proponent's resolutions which sought to improve board independence and enhance minority shareholder rights. Results: 16.6% and 17.7% For.

Case Study – Real Asset Engagement

During September 2022 LPPI Credit Investments LP funded an investment in a new multi-asset credit strategy. The External Managers team did a lot of upfront due diligence when selecting the investment manager to ensure that material ESG factors were appropriately integrated into the investment process in a systematic way. This included spending time going through individual case studies across the underlying sub-strategies. This is a core component of our investment due diligence and if a manager doesn't meet the standards that we require we won't progress. This was the case with another manager over the last year where we stopped work after reviewing individual case studies as we felt the ESG analysis was superficial in places. During the recent multi-asset credit strategy underwrite we also spent time understanding the investment managers top-down responsible investment philosophy and looked to ensure that it was aligned with our own, including our net zero target. The investment was setup as an LPPI dedicated single investor fund which has the benefit of allowing us to work with the manager to create bespoke investment restrictions, including the exclusion of certain energy related sectors, and design enhanced transparency, including carbon reporting.

4. Robeco Summary

Engagement (Public Markets): Robeco *(Dashboard page 4)*

This section of the dashboard outlines the engagement activities undertaken by Robeco in the public markets by topic, sector, method, and region (indicating the number of companies engaged / geographical distribution). This quarter Robeco engaged with 27 companies in the GEF, accumulating to 17.5% of the total GEF portfolio.

Engagement (Public Markets): Robeco *(Dashboard page 5)*

Engagement progress by theme, also shown on page 2 in the Robeco Active Ownership report, summarises our engagement activities for the quarter and breaks them down into sub-sectors, where they are rated on success/progress (shown as a %).

The data outlined in our dashboard is specifically related to the companies in LPPI's portfolio and the engagements Robeco undertake on our behalf.

Robeco Active Ownership Report: Content Overview

The below information is a summary of Robeco Active Ownership report, from page 3 onwards, which covers case study insights from across their work that they have chosen to give an update on this quarter. All information represents Robeco's findings for their entire assets under engagement. Although it is still relevant to LPPI, it is <u>not</u> specific to the companies that are under engagement for LPPI. These insights can refer to companies inside and outside our portfolio, depending on our specific exposure to the given theme being highlighted.

Diversity and Inclusion

The relevance of Diversity and Inclusion (D&I) for investors can be understood through the double materiality lens. Firstly, from a financial standpoint, human capital management strategies, including the promotion of diversity and inclusion, are significantly important in determining a company's underlying quality and intrinsic value. Investors should therefore integrate such factors into their investment approach. Subsequently, the benefits stemming from an inclusive and diverse workforce flow through to the macro environment and have a direct impact on society and the economy as a whole.

Robeco formulated five engagement objectives to facilitate their dialogue on D&I: developing a D&I policy, define D&I implementation strategies, disclose workforce diversity data, address overall pay equality, and promote an inclusive culture. The lack of data is the main challenge identified by investors when assessing companies' efforts on diversity and inclusion. Robeco identified and selected those industries that are lagging in disclosure of diversity data and identified the first set of companies for engagement.

Promoting D&I is a challenging topic at its core due to differences in company cultures and regional practices. One significant hurdle that Robeco expect to face is how to equally address all aspects of diversity and move the conversation beyond simply looking at gender. There are still many countries where identifying as LGBTQ+ remains illegal, and cultural norms prohibit companies from promoting an inclusive culture. Promoting practices that address the benefits of the integration of various minority groups will be challenging.

Natural Resource Management

The world is facing a dire shortage of freshwater, a situation that is set to only get worse due to urbanization, population growth, climate change and socio-economic development. To act upon these risks, Robeco has expanded its environmental engagement program to include the responsible management of natural resources and the mitigation of adverse impacts on the environment. The engagement theme aims to address the impacts of corporate operations related to their intensive water use and generation of waste.

The discharge of wastewater remains a problematic issue. Robeco will focus on companies where the management of water/waste generation and disposal management is a financially material issue, or where corporate operations have a significant negative environmental impact due to water or waste issues. In July 2022, Robeco started engaging with the first group of six companies. They were chosen using a bottom-up and fundamental approach by Robeco's research and investment analysts.

Robeco has developed a water and waste management framework tool to assess how well a company has incorporated the management of such risks into their practices, depicted in Figure 1 in the full Quarterly Active Ownership Report 2022 Q3. The insights from this assessment inform their engagement priorities and facilitates the tracking of progress against the engagement objectives. Robeco expect their methodology to identify suitable companies will continue to evolve and be refined as the relevant data continues to improve and become more broadly available, including that used to measure the Principal Adverse Impact Indicators (PAI[R]) defined in the EU Sustainable Finance Disclosure Regulation (SFDR[R]).

Climate Transition of Financial Institutions

It has become increasingly clear that the banking sector has a critical role to play in the low-carbon transition. Banks can facilitate investments in low-carbon solutions and encourage emission reductions through climate-aware financing and engagement with their clients. While many banks are dealing with operational challenges such as emission data collection and new governance structures, the expectations around disclosures and targets are becoming ever more stringent.

The Climate Transition of Financial Institutions theme has now reached its mid-point in the three-year engagement program. Robeco are collaborating with the Institutional Investor Group on Climate Change (IIGCC[R]) which, in partnership with Transition Pathway Initiative (TPI[R]), is developing a framework to assess how prepared banks are for the low-carbon transition. There are several indicators grouped into six areas, providing a comprehensive picture of a bank's net zero transition plan: 1. Net zero commitments, 2. Short and medium-term targets, 3. Decarbonization strategies, 4. Climate governance, 5. Climate policy engagement and 6. Audit and accounts.

The results so far show the average alignment with credible net zero trajectories amongst banks is relatively low. This is in part due to the lack of disclosure of carbon emission data throughout their loan books, but also because of insufficient target-setting at the time of the assessment. These are both areas of improvement for banks climate strategies and will become more accessible as greater transparency on how they engage with clients is expected in the coming years. In the upcoming second half of the engagement theme, Robeco will use the outcomes of this assessment framework to emphasize the changes that they expect banks to make.

Responsible Executive Remuneration

The Shareholder Rights Directive (SRD II), introduced by the EU in 2019, has given shareholders the right to a vote on remuneration on a structural basis, mirroring the 'say-on-pay' votes seen in the US. In 2020, Robeco initiated the Responsible Executive Remuneration theme and have focussed on four areas (below), while observing the impact of SRD II on companies' remuneration practices.

- To better align pay with performance (including performance on sustainability).
- To promote equity holding requirements (rather than option structures or cash pay-outs) to have a more straightforward alignment with shareholders.
- To use ratios and benchmarks in order to avoid excessive pay discrepancies between and within organizations.
- To have strong and independent oversight from the supervisory board and feedback mechanisms towards its shareholders.

Robeco note there remains much work to ensure the alignment of pay and long-term shareholder interests. For example, Robeco continues to see companies that have poorly designed stock plans which fail to incentivize executives to focus on delivering long-term sustainable performance. They consider it best practice for a majority of an executive's long-term incentive award to be in the form of equity vesting based on performance against quantifiable targets. They also focus on ensuring that adequate ownership guidelines are in place for executives, which helps ensure that executives build and maintain a meaningful level of stock ownership throughout their tenure to align shareowner incentives.

Robeco also find that some companies use sustainability-related performance as a remuneration cushion but fail to provide disclosure. When linking ESG metrics to pay, Robeco seek to ensure that sustainability metrics are measurable, relevant to the strategy, and sufficiently ambitious.

5. Collaborations and Partnerships

LPPI participates in a range of investor groups and partnerships which provide opportunities for shared learning and a platform for collective action. The following are headlines for Q3 2022.

PRI/Business & Human Rights Resource Centre

LPPI was one of 39 investors, representing £4.5tn AUM, which supported a letter calling for the UK government to introduce mandatory human rights due diligence in line with the UN Guiding Principles on Business and Human Rights for UK linked companies.

PRI Advance

PRI Advance aims to support institutional investors to collaborate and take action on human rights and social issues. Investors will use their collective influence with companies and other decision makers to drive positive outcomes for workers, communities and society. The initial focus sectors are Metals & Mining and Renewables. LPPI signed up as an 'endorser' to the initiative, recognising other investors were better placed to lead engagements in sectors LPPI has little exposure to in the Global Equities Fund (Advance's target companies represented <0.5% of the Fund at the time of assessment), while still signalling our public support for the objectives.

ISS policy benchmark survey

LPPI responded to ISS's Benchmark Policy survey, in which clients help shape future voting research and recommendations. A range of ESG topics are covered each year. Notable this year was the attention paid to climate risk management, in which LPPI supported higher expectations when assessing investee companies' climate-related performance.

WDI letters

LPPI is a member of the Workforce Disclosure Initiative (WDI) investor coalition which supports the collection of new workforce data through annual surveys to give richer insights into the management of workforce risks. Over Q3, we identified four priority companies in the Global Equities Fund and engaged via a letter campaign, requesting they participate in this year's survey. The disclosure period ends in Q4; we are currently monitoring progress.

CA100+ Membership Survey

LPPI responded to the CA100+[R] signatory consultation on the second phase of the project, covering 2023-2030. Feedback was sought regarding how best the initiative can continue to effectively support investor engagements with focus companies and drive greater company ambition and action on climate change in this critical decade. Key focus areas included scope, governance, company benchmarking, and recalibrating signatory participation.

Plastics Treaty

LPPI endorsed the vision statement or 'founding document' for the creation of a Business Coalition for a Global Plastics Treaty, which you can find on their website here. The coalition brings together businesses and financial institutions committed to supporting the development of an ambitious, effective and legally binding UN treaty to end plastic pollution. This follows on from our initial support of a UN Treaty on Plastic Pollution in advance of the fifth session of the UN Environment Assembly when we joined the Business Call for a Global Plastics Treaty. The UNEA meets to set priorities for global environmental policies and develop international environmental law.

OPSC Workplan Update

LPPI has signed up to the OPSC 2022/23 workstreams on Climate, focusing on Net Zero and TCFD[R], and Private Assets, which will explore best practice stewardship approaches within private asset classes. Kick-off meetings will be held in Q4 2022.

6. Other News and Insights

PRI Results

The PRI results for the 2021 reporting cycle (which was the pilot year for a new reporting framework) have now been published, and you can find LPPI's full report here. Publication of the results was delayed until September 2022 and they follow a new assessment framework which has made comparison with previous results difficult. LPPI will take time to review the full set of feedback and results and will share an update in the next quarterly report.

In response to issues experienced in the pilot year (2021), PRI signatories were not required to report in 2022 (effectively a "gap year") to allow an appropriate period for the PRI's full review. As such, the next reporting period will be for the 2023 reporting year. PRI have not yet confirmed final details of the reporting process or the deadline and arrangements for signatories making submissions. We will provide an update when these details are known.

Net Zero Update

LPPI have received formal confirmation from the IIGCC (Institutional Investors Group on Climate Change) that our first set of Net Zero targets have been accepted, which means they are in line with Net Zero Asset Manager commitment we made this time last year. We are proud to have reached this milestone in our net zero journey and of all the hard work put in by the responsible investment team and across LPPI. Further information in relation to the targets that we have set can be found on the Net-Zero Asset Manager Initiative website here.

Stewardship Code update

LPPI successfully submitted its Annual Report on Stewardship and Responsible Investment (2021/22) to the Financial Reporting Council, ahead of the October 2022 deadline. The final document is a strong submission addressing the requirements of the UK Stewardship Code (2020) and illustrates the huge amount of work carried out by the responsible investment team and wider business in 2021/22.

The report will be published on the LPPI website in Q4 2022 and the FRC will assess LPPI's report and confirm (in early 2023) whether it meets the standard required for retaining signatory status.

LGPS TCFD Consultation update

In September 2022, the Department for Levelling Up, Housing and Communities issued a consultation specifically for LGPS administering authorities on their assessment, management and reporting on climate related risks, in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD[R]). The deadline for a response is 24th November. LPPI will be preparing a response which will be shared with clients to support the development of a response should they wish to make one, and will be made public on LPPI's website thereafter.

TPI Global Climate Transition Centre

LPPI has been a supporter of the Transition Pathway Initiative (TPI) since its launch in 2017 as a global, asset-owner led initiative, which assesses corporate preparedness for the transition to a low carbon economy.

The TPI:

- Evaluates and tracks the quality of a company's management of greenhouse gas emissions and the risks and opportunities related to the low-carbon transition;
- Evaluates how a company's planned or expected future carbon performance compares to international targets and national pledges made as part of the Paris Agreement;
- Publishes the results of this analysis online through a publicly available tool.

LPPI's quarterly RI Dashboard includes a metric which shows how companies in the GEF are positioned against the TPI Management Quality staircase which scores them from 0 to 4*. On 28 September 2022, TPI took a significant step forward, with the official launch of a Global Climate Transition Centre. The Centre was established in June 2022 within the Grantham Research Institute on Climate Change and the Environment, which is based at the London School of Economics and Political Science (LSE). The launch marks a new chapter for TPI. The scale of TPI corporate analysis will be expanded considerably to encompass a significantly larger population of global companies and give investors access to a broader range of data, metrics, tools, and insights as a support for their monitoring, decision-making and engagement. Details of the new Centre are available here.

For Reference

GICS - Global Industry Classification System
The most widely used approach to categorising activities into industry sectors. The main standard in use for public markets with growing use for other asset classes. For more information on GICS and the activities that fall into each sector, please see:
https://www.spglobal.com/marketintelligence/en/documents/112727-gics-mapbook_2018_v3_letter_digitalspreads.pdf

Climate Action 100+
Climate Action 100+ is an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change.

Paris Agreement
The Agreement is a legally binding international treaty to tackle climate change and its negative impacts. The Agreement includes commitments from all countries to reduce their emissions and work together to adapt to the impacts of climate change. It entered into force on 4 November 2016.

The Agreement sets long-term goals to guide all nations to:

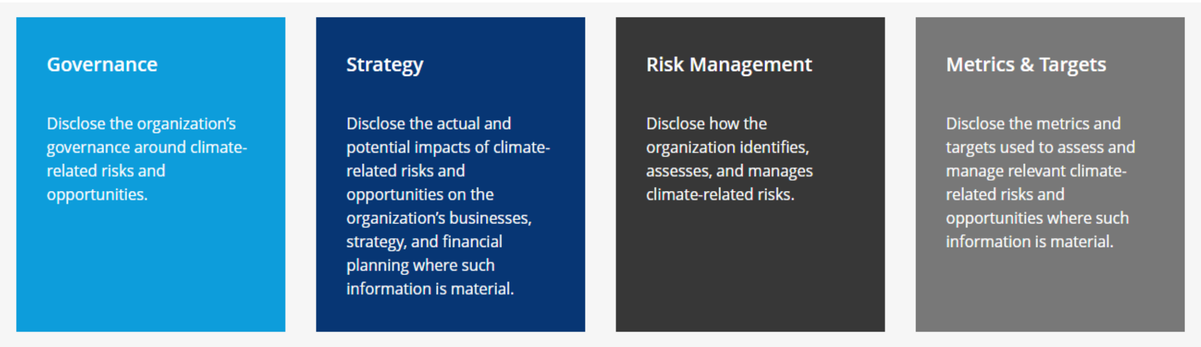
- substantially reduce global greenhouse gas emissions to limit the global temperature increase in this century to 2 degrees Celsius while pursuing efforts to limit the increase even further to 1.5 degrees,
- review countries' commitments every five years,
- provide financing to developing countries to mitigate climate change, strengthen resilience and enhance abilities to adapt to climate impacts.

https://www.un.org/en/climatechange/paris-agreement

MSCI ACWI - MSCI All Country World Index
A stock index designed to track broad global equity-market performance. The LPPI Global Equity Fund's benchmark.

MSCI - Morgan Stanley Capital International
A global index provider.

TCFD - Taskforce on Climate Related Financial Disclosure
The Financial Stability Board created the Task Force on Climate-related Financial Disclosure (TCFD) to improve and increase reporting of climate-related financial information by companies and investors.
Recommendations include annual disclosure under 4 pillars:



TPI - Transition Pathway Initiative https://www.transitionpathwayinitiative.org/
The TPI assesses the highest emitting companies globally on their preparedness for a transition to a low carbon economy. 368 companies are rated TPI 0-4* for Management Quality based on 19 separate datapoints. TPI Management Quality scores provide an objective external measure of corporate transition readiness.

NZAMI – Net Zero Asset Managers Initiative https://www.netzeroassetmanagers.org/
The Net Zero Asset Managers Initiative launched in December 2020 and aims to galvanise the asset management industry to commit to a goal of net zero emissions.

GLIL - https://www.glil.co.uk/
GLIL is an innovative collaboration between aligned and like-minded investors who are seeking investment into core infrastructure opportunities predominately in the United Kingdom.

PAI - Principal Adverse Impact Indicators
Impacts are defined by the EU as "negative, material, or likely to be material effects on sustainability factors that are caused, compounded by, or directly linked to investment decisions and advice performed by the legal entity."

SFDR - Sustainable Finance Disclosure Regulation
This is a set of EU rules which aim to make the sustainability profile of funds more comparable and better understood by end-investors. The regulation focuses on pre-defined metrics for assessing the environmental, social and governance (ESG) outcomes of the investment process.

IIGCC
Institutional Investor Group on Climate Change. LPPI is a member.

PRI - Principles for Responsible Investment https://www.unpri.org/
A United Nations-supported international network of financial institutions working together to implement its six aspirational principles, often referenced as "the Principles"

Responsible Investment Dashboard Q3 2022

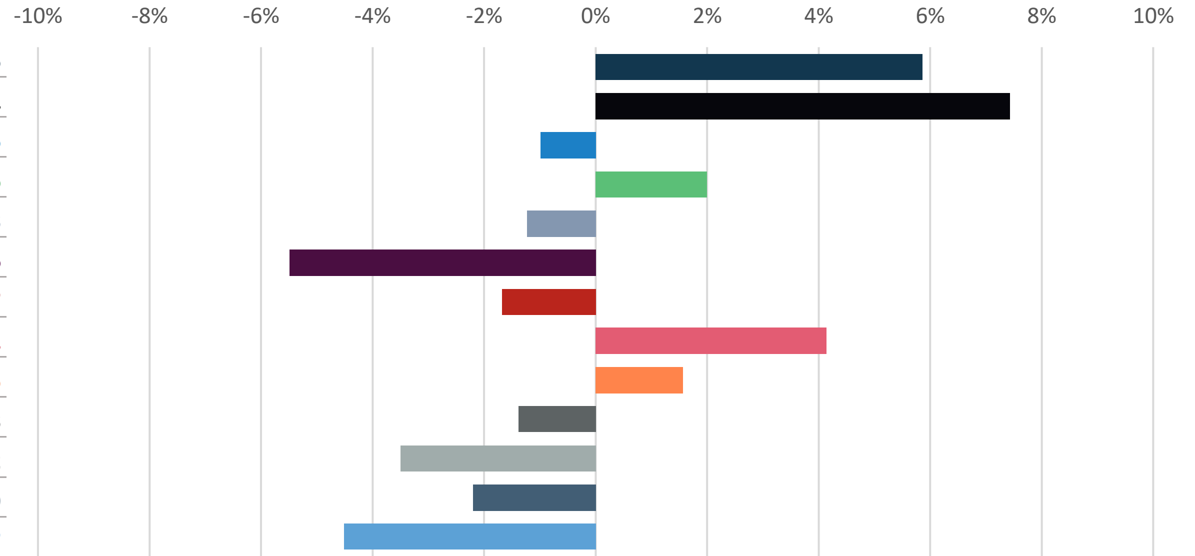
1. Portfolio Insights

Listed Equities (LPPI Global Equities Fund)

Sector Breakdown (%)

Information Tech.	**26.6**
Consumer Staples	**15.1**
Financials	**13.6**
Industrials	**11.5**
Consumer Discretionary	**10.3**
Health Care	**7.5**
Communication Services	**5.7**
Cash	**4.1**
Others	**1.6**
Real Estate	**1.3**
Materials	**1.2**
Utilities	**0.9**
Energy	**0.7**

LPPI Global Equities Fund Sector Weights vs MSCI ACWI ND



Top 10 Positions

	Portfolio (%)
1. Microsoft	**3.6**
2. Nestle	**3.4**
3. Visa	**3.3**
4. Alphabet	**2.5**
5. Accenture	**2.4**
6. Diageo	**2.0**
7. Intuit	**1.8**
8. Pepsico	**1.7**
9. Apple	**1.6**
10. Starbucks	**1.6**

Page 119

Governance Insights (ISS DataDesk)

Women on the Board (Average)

29%

Coverage of GEF **83%**

Board Independence (Average)

69%

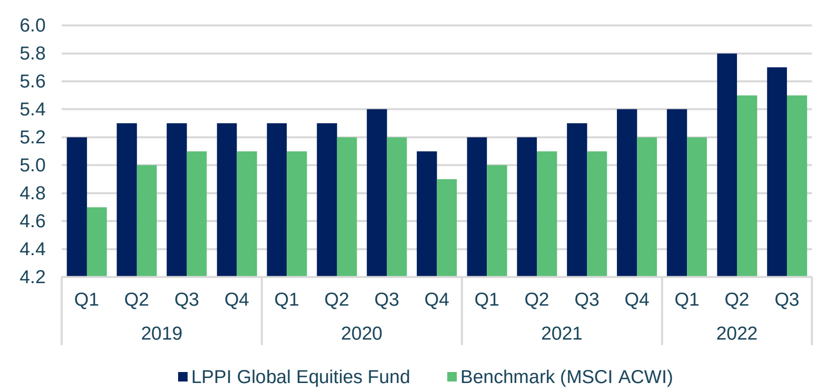
Coverage of GEF **83%**

Support for Say on Pay (Average)

88%

Coverage of GEF **72%**

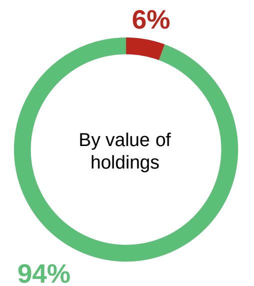
Portfolio ESG Score (MSCI ESG Metrics)

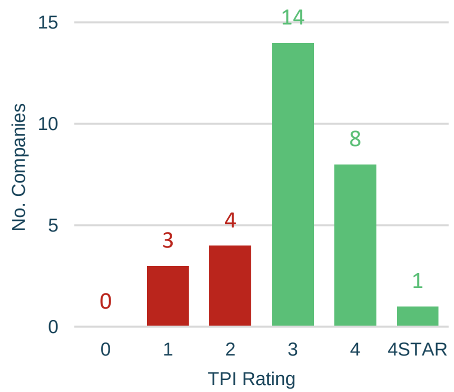


Transition Pathway Initiative – Management Quality Headlines

11.0%

GEF covered by TPI analysis (Q3 2022)





TPI Management Quality Ranking

- 0 - Unaware
- 1 - Aware
- 2 - Building capacity
- 3 - Integrated into operational decisions
- 4 - Strategic assessment

Appendix B

Responsible Investment Dashboard Q3 2022

1. Portfolio Insights

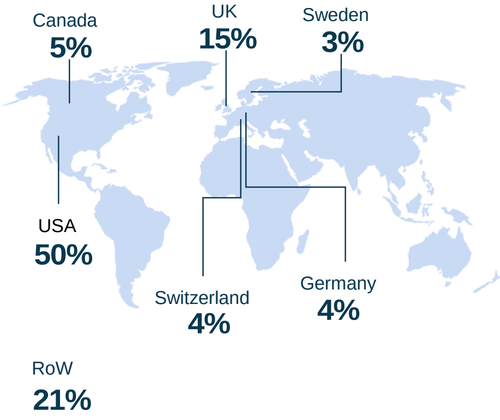
Other asset classes

Private Equity

Industry Breakdown (%)

Information Technology	31	Financials	7
Industrials	15	Remaining Industries	6
Health Care	15	Consumer Staples	4
Other	11		
Consumer Discretionary	11		

Region Breakdown (%)

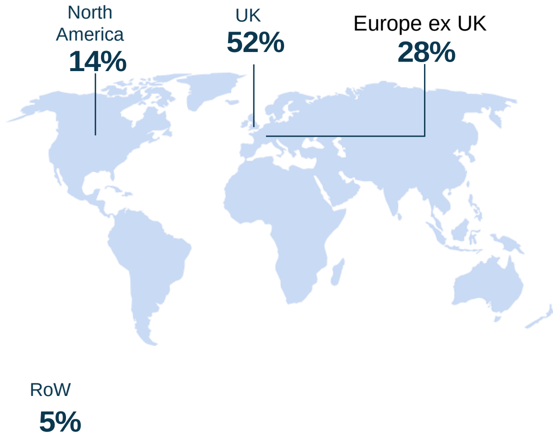


Infrastructure (LPPI Global Infrastructure Fund)

Industry Breakdown (%)

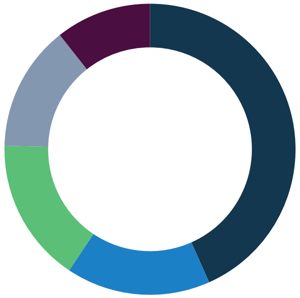
Traditional Energy, Renewable Energy, Waste	35	Transport and Distribution	20
		Regulated Assets	13
Social (incl PFI)	22	Other	10

Region Breakdown (%)



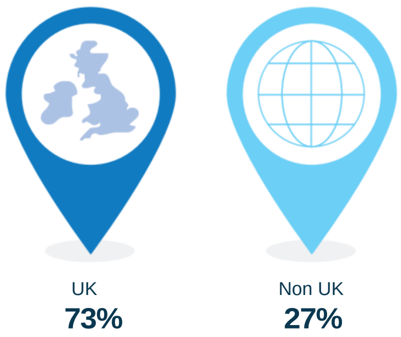
Real Estate (LPPI Real Estate Fund)

Sector Breakdown (%)



Industrial	43	Alternative	14
Retail	16	Living	11
Office	16	Agriculture	0

Geographical Exposure (NAV %)



Green & Brown Exposure

Green

Investments in businesses directly contributing to the global transition to a lower carbon economy, expressed as a % of the total value of the pension Fund.

4.21% of portfolio

0.04% Green Bonds | 0.02% Private Equity | 4.15% Infrastructure

0.04% Public Markets | 4.17% Private Markets

3.55% Renewable Energy Generation

0.11% Solar | 2.74% Wind | 0.04% Hydro | 0.66% Other Generation

0.66% Other "Green"

0.01% Clean Tech Funds | 0.65% Decarbonisation

Brown

Investments in traditional energy (based on fossil fuels) expressed as a % of the total value of the Pension Fund.

2.52% of portfolio

0.32% Listed Equity | 0.01% Fixed Income | 0.10% Private Equity | 2.08% Infrastructure

0.33% Public Markets | 2.18% Private Markets

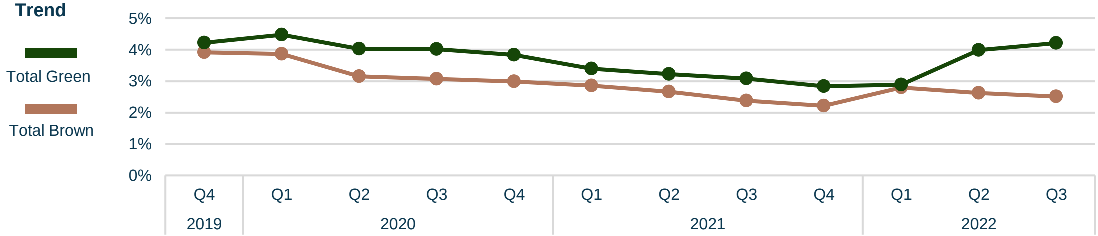
2.16% Energy

0.19% Upstream | 0.78% Midstream | 0.68% Downstream | 0.51% Integrated

0.35% Generation

0.35% Energy Generation

Trend



Responsible Investment Dashboard Q3 2022

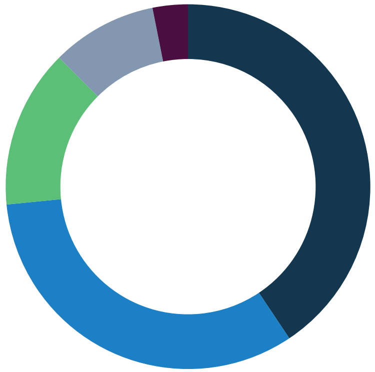
2. Stewardship Headlines

Shareholder Voting

Shareholder Voting Statistics (LPPI Global Equity Fund)

Headlines

		Supported 82%	Supported 33%	
50	485	479	6	56%
Meetings Voted	Proposals Voted	Company Proposals	Shareholders Proposals	Meetings with a vote against Management

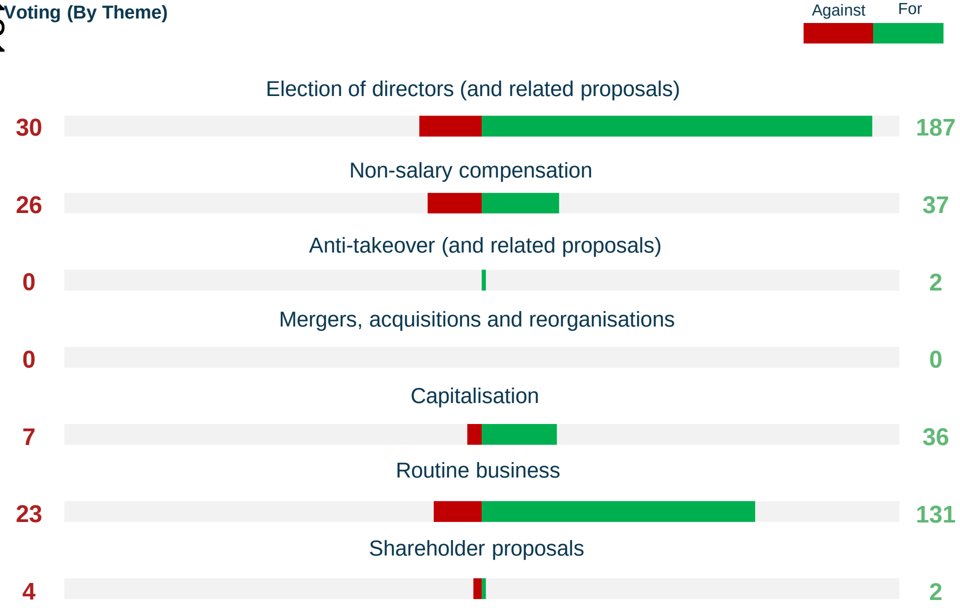


Votes Against Management (By theme)

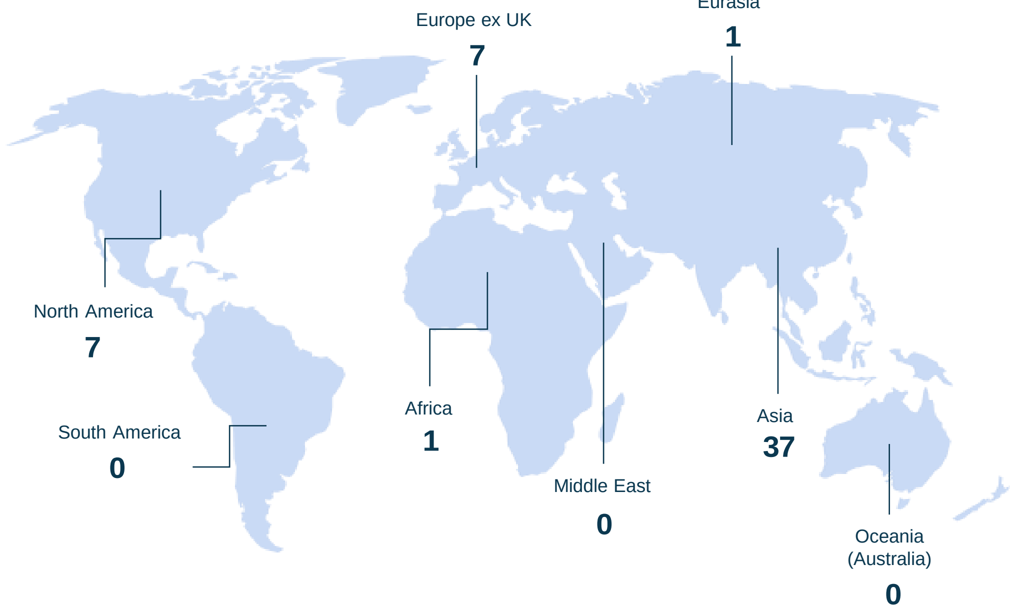
Non-salary compensation	26
Election of Directors (and related)	21
Routine business	9
Capitalisation	6
Shareholder Resolutions	2
Anti-takeover (and related proposals)	0
Mergers, acquisitions and reorganisations	0

Page 121

Voting (By Theme)



Voting (By Region)*



*Total votable meetings

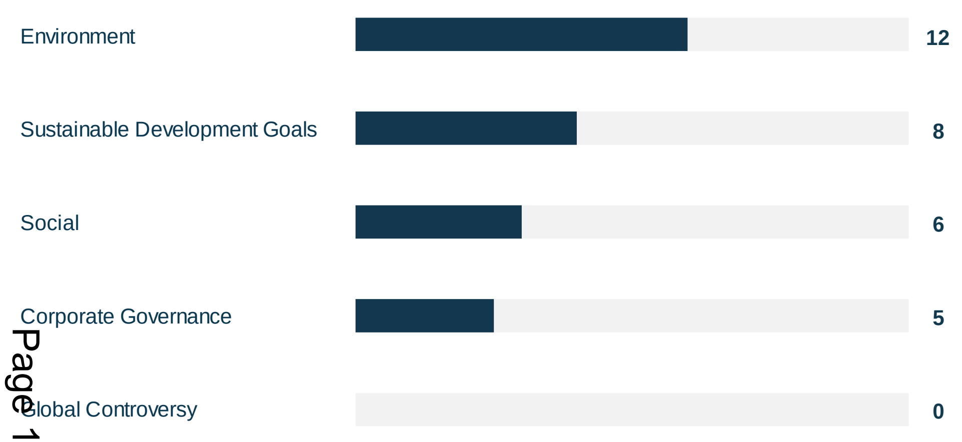
Responsible Investment Dashboard Q3 2022

2. Stewardship Headlines

Engagement (Public Markets): Robeco

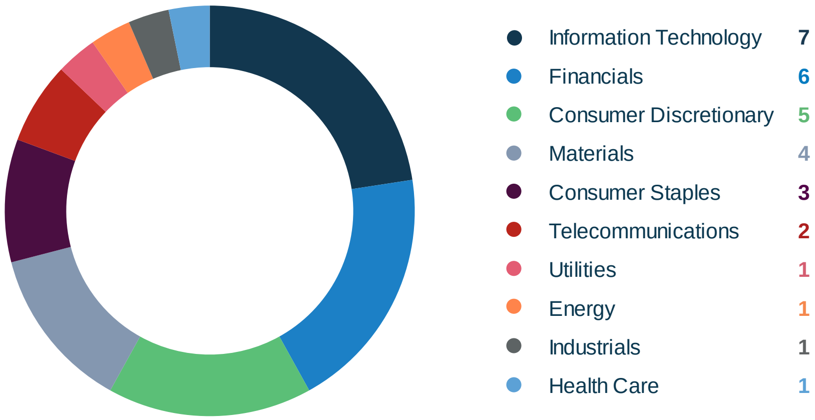
The following data is specifically related to the companies in LPPI's portfolio and the engagements Robeco undertake on our behalf.

Activity (By Topic)

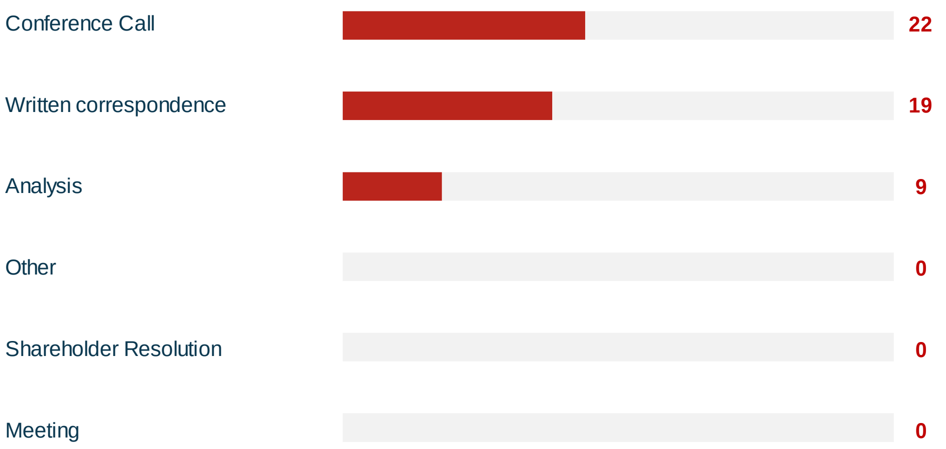


Page 122

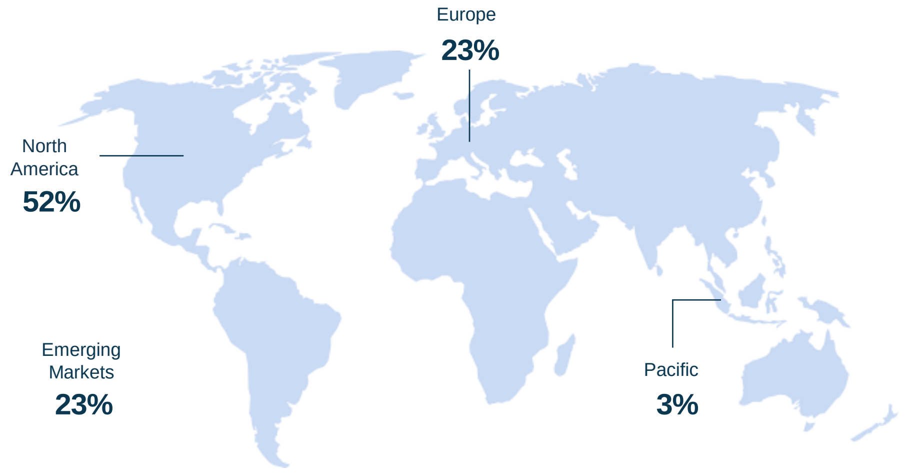
Activity (By Sector)



Activity (By Method)



Activity (By Region) (%)



Source: Robeco Active Ownership Report Q3 2022

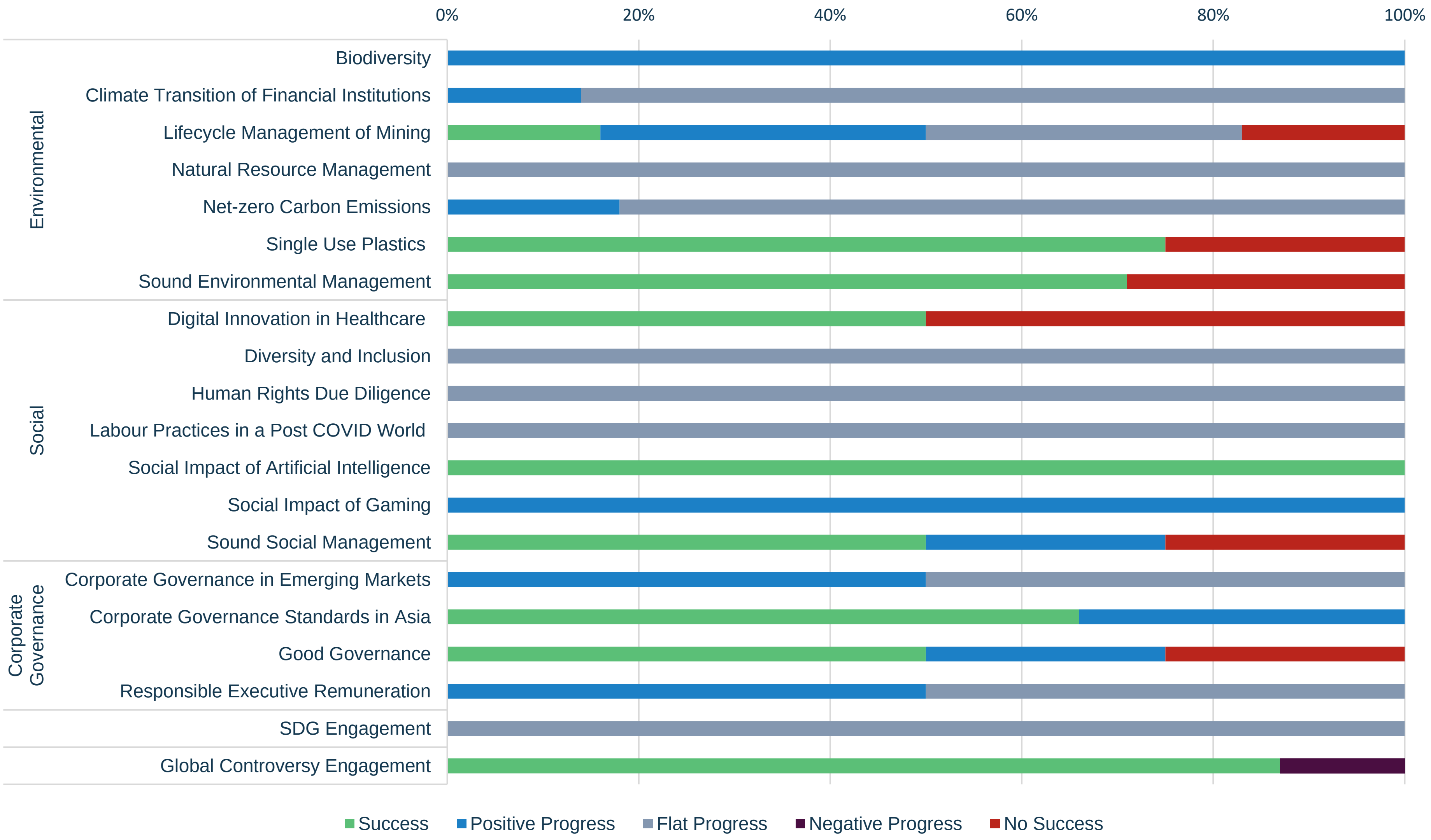
Responsible Investment Dashboard Q3 2022

2. Stewardship Headlines

Engagement (Public Markets): Robeco

The following data is specifically related to the companies in LPPI's portfolio and the engagements Robeco undertake on our behalf.

Engagement Results (by Theme)



Source: Robeco Active Ownership Report Q3 2022

Page 123

Responsible Investment Dashboard Q3 2022

3. Real World Outcomes - LPPI Private Equity

EVORA

Environmental sustainability consulting and software vendor serving commercial real estate asset owners and investment managers

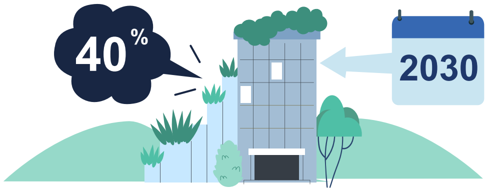
The business provides long-term sustainability advisory services to help real estate owners to:

- efficiently comply with sustainability related regulations and reporting standards
- respond to investor scrutiny on ESG related risks
- make better informed investment decisions and avoid "**brown* discounting**" of assets

***Brown Discounting**

Where buildings with poor performing energy efficiency will be less attractive to owners and occupiers, reducing the buildings value.

Page 124



Halve emissions by 2030

Buildings are globally responsible for 40% of all greenhouse gas emissions and it is estimated that between $2-3tn will need to be spent each year to **halve these emissions by 2030**. Evora assists clients (who represent $1-2tn of AUM) to limit the environmental footprint of their real estate portfolios and increase transparency with regards to reporting on this.

PlanetMark

Planet Mark Certified

Evora is Planet Mark Certified, which is achieved by reporting a **reduction in its carbon footprint** and engaging with its stakeholders.

Diversified workforce

Evora is a high quality employer with a **diversified workforce,** with approx. **50% female FTEs and female participation at the board.**

Satisfaction surveys

The business annually conducts **employee engagement and satisfaction surveys**. It has also had no health and safety incidents.

Governance policies

Evora has adopted a **comprehensive suite of governance policies** with the exception of cyber essentials, albeit relevant **ISO accreditation** is being pursued to remedy this.

evoraglobal.com

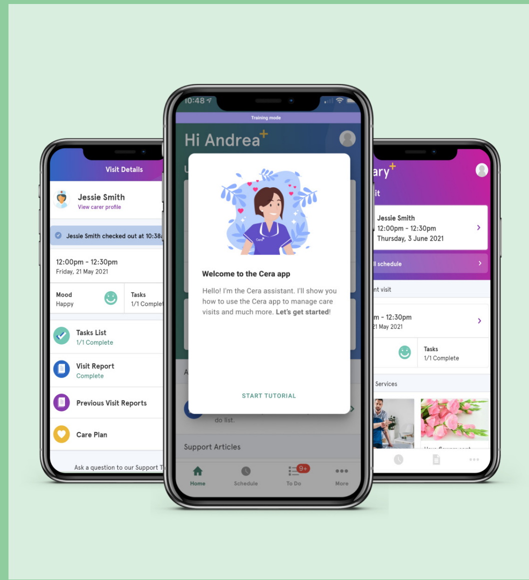
Lancashire County Pension Fund | LPP Local Pensions Partnership Investments

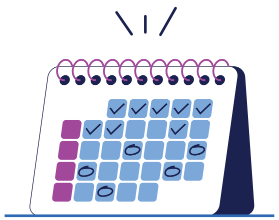
Cera

Cera is a UK-based 'digital-first' home healthcare platform, offering care, nursing, telehealth and prescription delivery services in the home.

Cera's carers and nurses collect patient symptoms and health data during at-home appointments, which Cera's artificial intelligence algorithms use to predict deterioration in conditions before they occur. This allows earlier health interventions to prevent people becoming unwell, whilst reducing the burden of 'pen and paper' administrative work, empowering carers to do what they do best: care.

For those receiving care, Cera is able to monitor conditions digitally, responding to any deterioration 30 times faster than traditional methods, reducing hospitalisations and keeping people well in their own homes.





40,000+

in-person healthcare visits every day

52%*

of hospitalisations reduced by Cera tech

* Based on data in 2021, looking at hospitalisation rates in the first 30 days of a service user joining Cera. Hospitalisation rates may still be caused by unseen factors.

10,000

jobs filled during the pandemic

80%

of hospitalisations predicted up to seven days in advance[1]

1. https://tech.eu/2022/08/04/reducing-hospital-waiting-time-and-keeping-patients-out-of-hospitals-land-320-million-for-cera/

ceracare.co.uk

Portfolio Insights (Pages 1 - 2)

Sector Breakdown (%)

- Identifies the Global Equity Fund's ("GEF") sector breakdown and their proportions.

GEF Sector Weights

- Comparison of sector weights against their benchmark.
- The larger the bar the bigger the difference between GEF and benchmark weightings.
- Where a positive number is shown, this indicates the GEF is overweight to a sector.
- Where a negative number is shown, this indicates the GEF is underweight to a sector.

Top 10 Positions

- The top 10 GEF companies as a % of the asset class portfolio.

Governance Insights

- **Women on the board:** A measure of gender diversity based on the average proportion of female board members for companies in the GEF.
- **Board independence:** The average proportion of board members identified by ISS as independent. Please note independence expectations vary across markets with LPPI generally favouring greater independence.
- **Say-on-pay:** The average investor support for the most recent say-on-pay vote at a company meeting. Please note not all markets require say-on-pay votes. A vote of greater than 20% against (support < 80%) is generally considered significant.

Portfolio ESG Score

- This is a relative indicator and not a measure of portfolio ESG risk exposure.
- Individual companies are assigned an ESG score (between 0-10). The final numbers shown in the bar chart are the weighted averages of these scores for the stocks held in the GEF vs its benchmark through time.
- This table is a comparison with the benchmark and reviews changes over time.
- LPPI utilise an established methodology (developed by MSCI) for determining the ESG score of stocks within the GEF. Further details can be found here: https://www.msci.com/documents/1296102/21901542/MSCI+ESG+Ratings+Methodology+-+Exec+Summary+Nov+2020.pdf
- The higher the score shown, the better the ESG credentials of the GEF / benchmark.

Portfolio Insights (Pages 1 - 2)

Transition Pathway Initiative (TPI) Headlines

- TPI assess how well the largest global companies in high carbon emitting sectors are adapting their business models for a low carbon economy.
- The % of GEF covered by TPI shows the portfolio exposure to high emitting companies.
- The number/proportion of companies with top scores (TPI 3 and 4) is a measure of the quality of transition management by the high emitting companies held within the GEF.
- Detailed TPI methodology can be found through the following link: https://www.transitionpathwayinitiative.org/methodology

Private Market Asset Classes

- These metrics indicate the industry sector and regional breakdown as a % of the asset class for Private Equity, Infrastructure and Real Estate investments.

Green & Brown

- These metrics indicate the Pension Fund's total portfolio exposure (%) to green and brown assets. Current coverage extends to: Listed Equity, Fixed Income, Green Bonds, Private Equity, and Infrastructure.
- These are further broken down into their sectors/activities related to green and brown.
- Please be aware that due to rounding within the different breakdowns the totals may not sum correctly.

Green

These are investments in renewable energy and sectors/activities assisting in renewable energy generation, low carbon tech and wider decarbonising activities.

Brown

Investments in energy and power generation based on fossil fuel activities, including: extracting (upstream), transporting (midstream), refining (midstream), supplying (downstream), or some energy companies that legitimately span all aspects (integrated). Fossil fuels used to generate energy is part of electricity generation.

Stewardship Headlines (Pages 3 - 5)

Shareholding Voting

- Key shareholder voting metrics for LPPI's GEF.
- The Headline section provides insight into the scope of voting activity, including how votes against management is concentrated.
- LPPI is responsible for voting on each decision taken, working in partnership with Institutional Shareholder Services to best inform views prior to taking action.
- The map of votes per region is included because different jurisdictions have different voting seasons. This provides context to the reporting of voting statistics quarter to quarter as votes take place in batches depending on the companies domicile at different points throughout the year.

Engagement (Public Markets)

- Engagement is an active, long-term dialogue between investors and companies on environmental, social and governance factors, which can be executed through a variety of channels.
- LPPI has engaged an external provider (Robeco Active Ownership Team) to supplement dialogue underway by LPPI and external delegate managers.
- This section outlines the engagement activities undertaken by Robeco in the public markets by topic, sector, method, and region (indicating the number of companies engaged / geographical distribution).
- "Activity by method" summarises engagements by category / method and can include multiple inputs from the same company.
- The updated Robeco Active Ownership report summarises our engagement activities for the quarter and breaks them down into sub-sectors, where they are rated on success/progress (shown as a %).
- Page 9 of the Robeco stewardship policy outlines further details of their process: https://www.robeco.com/docm/docu-robeco-stewardship-policy.pdf

Real World Outcomes (Pages 6 - 7)

- This section provides real world ESG case studies, relevant to the Pension Fund's holdings, which rotate between asset classes each quarter.
- The focus of the real world outcomes rotates between asset classes for each quarter in the following pattern:
  - Q1 – Infrastructure
  - Q3 – Real Estate
  - Q3 – Private Equity
  - Q4 – GEF
- The case studies are an in-depth review of positive ESG practices for current investments within the portfolio over the past year.

(NOT FOR PUBLICATION: By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It is considered that all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information)

Document is Restricted

Appendix A

(NOT FOR PUBLICATION: By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It is considered that all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information)

Document is Restricted

Appendix B

(NOT FOR PUBLICATION: By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It is considered that all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information)

Document is Restricted

(NOT FOR PUBLICATION: By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It is considered that all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information)

Document is Restricted

(NOT FOR PUBLICATION: By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It is considered that all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information)

Document is Restricted

Appendix A

(NOT FOR PUBLICATION: By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It is considered that all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information)

Document is Restricted

Appendix B

(NOT FOR PUBLICATION: By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It is considered that all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information)

Document is Restricted

Agenda Item 15

(NOT FOR PUBLICATION: By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It is considered that all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information)

Document is Restricted

Appendix A

(NOT FOR PUBLICATION: By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It is considered that all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information)

Document is Restricted

(NOT FOR PUBLICATION: By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It is considered that all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information)

Document is Restricted

Appendix A

(NOT FOR PUBLICATION: By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It is considered that all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information)

Document is Restricted

Appendix B

(NOT FOR PUBLICATION: By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It is considered that all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information)

Document is Restricted

Document is Restricted

Appendix A

(NOT FOR PUBLICATION: By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It is considered that all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information)

Document is Restricted

Agenda Item 18

(NOT FOR PUBLICATION: By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It is considered that all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information)

Document is Restricted

(NOT FOR PUBLICATION: By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It is considered that all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information)

Document is Restricted

(NOT FOR PUBLICATION: By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It is considered that all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information)

Document is Restricted

Document is Restricted

Appendix C

(NOT FOR PUBLICATION: By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It is considered that all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information)

Document is Restricted

Appendix D

(NOT FOR PUBLICATION: By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It is considered that all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information)

Document is Restricted

Appendix E

(NOT FOR PUBLICATION: By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It is considered that all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information)

Document is Restricted

Appendix F

(NOT FOR PUBLICATION: By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It is considered that all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information)

Document is Restricted

(NOT FOR PUBLICATION: By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It is considered that all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information)

Document is Restricted