# ANNUAL REPORT AND FINANCIAL STATEMENTS

LGPS Central Limited

FOR THE YEAR ENDED 31 MARCH 2022

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# ABOUT LGPS CENTRAL LIMITED

LGPS Central Limited (the Company) has been established to manage the pooled investment assets of eight Local Government Pension Scheme (LGPS) funds across the Midlands (our Partner Funds).

Our Partner Funds are **Cheshire Pension Fund, Derbyshire Pension Fund, Leicestershire County Council Pension Fund, Nottinghamshire Pension Fund, Shropshire County Pension Fund, Staffordshire Pension Fund, West Midlands Pension Fund, and Worcestershire Pension Fund.**

The Company is jointly owned on an equal-shares basis by the eight Partner Funds. The combined assets of these funds are approximately £55 billion (2021: £49 billion), managed on behalf of around one million LGPS members (2021: one million) and over 2,000 participating employers (2021: 2,000).

## WHY POOLING?

Pooling assets helps reduce costs, improve investment returns, strengthen governance and widen the range of available asset classes for investment, all for the benefit of our Partner Funds and their pension scheme members.

The Company creates the investment vehicles our Partner Funds require. Through professional investment management and external fund manager selection, we deliver the investment returns Partner Funds need to secure pension payments to their scheme members and dependents for the long-term.

At the heart of our work is a commitment to responsible investment. We believe that the integration of responsible investment factors supports long-term risk-adjusted returns and we have made responsible investment a core part of our investment process in every asset class and in every investment mandate we hold. The scale of combined assets in the Pool helps to make our responsible investment practices and interventions more effective.

The Company is authorised and regulated by the Financial Conduct Authority (the FCA) to operate as an Alternative Investment Fund Manager (AIFM). In this capacity the Company acts as the operator of a collective investment vehicle called an Authorised Contractual Scheme (ACS). We also manage other collective investment vehicles and provide discretionary and advisory services under our MiFID II authorisation.

# WELCOME FROM THE CHAIR

*JOANNE SEGARS, CHAIR*
*LGPS CENTRAL LIMITED*

**I am pleased to introduce the Annual Report & Accounts for LGPS Central Limited for the year ending 31 March 2022, which reflects a year of significant achievements and growing potential.**

The past two years have been unprecedented, and the whole world has had to adjust. Investment markets have shifted in response to the global pandemic, but I'm pleased to report that we have continued to progress as an organisation and fund performance is encouraging.

It would be remiss of me not to acknowledge the abhorrent situation in Ukraine, and our thoughts are with the innocent men, women and children impacted by the conflict. I hope that the world continues to keep pressure on Russia whilst doing what it can to support the people of Ukraine, not only at this time of conflict but in the years to come as they rebuild.

I'm pleased to report that through the year we have welcomed several highly skilled members to the team. Operating in a world that must create a balance between its local authority ownership and the influences of the investment industry, will always offer challenge. Success will only be achieved by continuing to develop meaningful relationships with Shareholders, and their on-going dedication to the collective success of the Pool.

We ended the year with 19 broad ranging investment vehicles available to our Partner Funds (2021: 12 investment vehicles). This presents an encouraging position, to see positive momentum of asset transitions in our increasing fund range. For me, this represents a clear commitment from Partner Funds to the spirit of pooling and impact of the savings that will materialise – long may this continue.

In the year that has passed we have successfully delivered an internal Board audit with a pleasing outcome which reflects the continuing commitment and expertise of your Board. In line with our Terms of Reference, and good governance practice, we will soon see changes to the Board of LGPS Central Limited, as the tenure of two Non-Executive Directors comes to an end.

### HEADLINE STATISTICS

- As of 31 March 2022, total assets under stewardship were 51.6% of Partner Fund AUM (Assets Under Management) (31 March 2021: 44.8%). Pooled products as a percentage of total Partner Fund AUM represented 34.7% (31 March 2021: 26.9%), while AUM under discretionary and advisory agreements stood at a further 16.9% (31 March 2021: 17.9%).



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# WELCOME FROM THE CHAIR CONTINUED

- The Pool has saved £42.8m cumulatively in investment management fees for our Partner Funds as of March 2022. Based upon the products that we have launched so far, we project at least £127m net savings by 2034.
- Annual net investment cost savings for Partner Funds are now positive and accelerating and we anticipate reaching a cumulative breakeven point on investment cost savings in 2023/24.
- With more funds in the pipeline, we remain on track to deliver net cost savings in excess of £250m for our Partner Funds by 2034.

As we strive forward, our attention must turn to a longer-term vision to maximise the benefits of pooling. I believe that the economies of scales that the future of pooling presents is where we will see real success. Of one thing I am certain, we remain passionate about developing the Company across all areas to develop an organisation of which to be proud. One that is robust, resilient, and dynamic – providing ability to harness our scale to deliver real world savings for Partner Funds and their scheme members.

All that has been achieved over the past financial year has been through effective partnership, collaboration, and teamwork: partnership between the Company and Partner Funds and the collaboration and teamwork of the Company's staff. I would like to extend my thanks and gratitude to Partner Funds, officers, and elected members, and to the team at the Company. Finally, I would like to thank my fellow Board members for the support and expertise over the past year. Special thanks are extended to John Nestor and Eithne McManus whose terms of office will end during the current financial year. It is their support and expertise that has helped build the Company into the organisation it is today, and I am grateful for all they have done.

*JOANNE SEGARS*
*CHAIR*

> ***"WE REMAIN PASSIONATE ABOUT DEVELOPING THE COMPANY ACROSS ALL AREAS TO DEVELOP AN ORGANISATION OF WHICH TO BE PROUD."***

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# STRATEGIC REPORT FROM THE CHIEF EXECUTIVE OFFICER

*MIKE WESTON, CEO,*
*LGPS CENTRAL LIMITED*

**Over the last year I am pleased to report that LGPS Central Limited has continued to thrive, despite challenging circumstances.**

When I reflect on the 2021/22 financial year, it feels as though we are finally overcoming the Covid-19 pandemic. Recent variants are much less severe than earlier strains and although they are more contagious, it seems we can collectively now start to manage this illness like we manage many others. I welcome being able to hold face to face meetings once again and it is great to interact personally with the One Central team in our new office space in Wolverhampton.

I am proud and grateful for how the entire team reacted throughout the challenges of the last couple of years.

Sadly however, just as we have overcome Covid-19, we now face the biggest conflict in Europe since the end of World War 2. The invasion of Ukraine by Russia has dominated our thoughts since late February. We quickly identified our Partner Funds' exposures to Russia through the LGPS Central Pool (which I'm pleased to report is minimal) to ensure we were able to advise on appropriate next steps. I was particularly keen to establish a clear corporate position at a time when our moral and fiduciary responsibilities were so closely aligned. We quickly instructed all our external investment managers not to increase existing exposures and have subsequently been actively engaging with them to exit from the holdings once sanctions allow.

The majority of funds continue to perform above their respective benchmarks or within mandate tracking error ranges. This is a pleasing achievement, especially in the volatile markets we have experienced. Going further and reaching mandate targets remains our long-term aim.

During the year we continued to work in collaboration with our Partner Fund Shareholders on the development and launch of new products, and more are on the way. Further detail on the funds that were launched during 2021/22 are presented later in this report.

Responsible investment and engagement (RI&E) is established as an essential part of our activity and I am pleased to report that we have continued our engagement programmes and further improved our already class leading climate risk reporting capabilities. The RI&E specialists who are integrated within our Investment Team are regularly invited to provide their insights to our Partner Funds and are often quoted in the trade press. A personal highlight during the year was being able to share our Central Pool Net Zero statement. We are looking forward to deploying the skills we have developed within the Company to drive forward similar initiatives in future.





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# STRATEGIC REPORT FROM THE CHIEF EXECUTIVE OFFICER CONTINUED

We measure our business against the six key focus areas outlined in figure 1. We have made good progress in all areas and are performing well against our corporate objectives.

The Company's financial performance for the year was a net loss before tax of £675,000 (2020/21: profit of £975,000). This net loss reflects accounting adjustments for IAS 19 amounting to a net additional cost of £1.019 million (2020/21: net additional cost of £343,000). The principle reason for the year-on-year increase was increases in current service costs (further details can be found in Note 14 to the financial statements). Income of £12.7 million was receivable during the year (2020/21: £11.9 million), whilst operating expenditure stood at £13.0 million (2020/21: £10.6 million). Net assets at the year-end stood at £6.8 million, up from £6.3 million as at 31 March 2021.

The Company's principal risks include liquidity, credit and cash flow. A discussion of the nature of these risks and the steps that the Company has taken to manage and mitigate them is included in the Directors' report on page 28.

Despite the restrictions of Covid-19, we successfully moved into newly developed offices in December 2021, and are now based in the modern i9 building in the heart of Wolverhampton. Our new office space offers an ideal environment to continue to develop our team and to build upon our collective LGPS Central Limited culture. I believe that a collaborative, dynamic and innovative culture is essential to the long-term success of the Company.

i9 also houses the new regional headquarters of the Department for Levelling Up, Housing and Communities ("DLUHC"), and is a visible example of the current Government's "Levelling Up" agenda. The recent DLUHC white paper contained a requirement for LGPS funds to develop plans to invest 5% of their assets into local projects. LGPS Central Limited is well placed to work with our Partner Funds on this initiative by developing an investment proposition which both supports the Central Pool geographic area and meets the fiduciary needs of the eight individual Central Pool Partner Funds.

Towards the end of the year the recruitment market became fiercely competitive. We have experienced a higher turnover in staff than at any time in our history. Similar to Covid-19, this is testing the resilience of our people development and planning strategies; a test we are currently managing to pass. But these challenging conditions are likely to continue into 2022/23 as inflation remains elevated and contributes to the widely reported cost of living crisis. Our experience is not unique, it is something that is impacting many businesses across a broad range of sectors. Despite these difficulties, as Joanne has referred to, we have been able to attract a number of highly skilled new employees. Alongside a successful, multi-year Graduate recruitment programme, I am confident that we will be able to keep the Company moving forwards.

## LOOKING TO THE FUTURE

I believe that the strong performance shown over the past year is testimony to the hard work of the LGPS Central Limited team and our Partner Funds. In continuing to deliver an effective pooling solution, we are strengthening the corporate collective frameworks that are providing significant savings on the investment management fees that would historically have been absorbed by Partner Funds on an individual basis. We remain committed to realising the savings Joanne has detailed.

With our solid investment fund foundations in place, I look forward to further asset transitions into the Pool. As I look forward, a key role for myself, the Board and our Partner Fund Shareholders is to plot a longer-term strategy for the business that will continue to make it an attractive place to work, and an attractive asset for Shareholders to own, long after the planned asset transitions are complete.

Research we jointly conducted as part of the International Pooling Project during 2021 provides some interesting insight. The experiences of an international peer group of collective, public sector pension schemes indicates the additional benefits of greater scale that could be captured in future. I believe it is inevitable that there will be further evolution within England and Wales LGPS pooling.

The development of LGPS asset pools we have seen since 2018 has undoubtedly been a success. The most recent figures collected by DLUHC report quote substantial collective savings already achieved by pooling with "an acceleration of savings to come". LGPS Central Limited and our Partner Funds have played our full part in this, and I believe we will continue to do so.

***MIKE WESTON,***
***CHIEF EXECUTIVE OFFICER***
***ON BEHALF OF THE BOARD OF DIRECTORS***

Figure 1 – LGPS Central Limited's Key Focus Areas

# MESSAGE FROM THE CIO

*GORDON ROSS,*
*CHIEF INVESTMENT OFFICER*

**The financial year 2021/22 has been overwhelmed by dominant market themes but as a Company, we continue to develop new products, and demonstrate our professionalism and transparency through new additions and improved reporting.**

Financial markets have seen volatility and uncertainty through the 2021/22 financial year but great recovery from the challenges of the pandemic. Although the mass vaccination campaigns proved successful with some exceptions, the turbulent year saw COVID-19 threatening countries into further 'lockdowns'. Economies across the globe have been able to reopen upon overcoming the pandemic and as a result, global growth has been growing albeit at a slower pace. High inflation, regulation changes and supply chain disruptions have been hot topics but are yet to dampen historic records across markets. Fiscal and monetary policy changes have created a challenging backdrop for 2022, where central banks were initially confident that inflation would be transitory. The market fluctuations from rising tensions between Russia and Ukraine has exacerbated the situation, where Russia was served with mass sanctions leading to further increase in oil, gas, and basic grain prices.

For our Company, we continue to develop products and support our Partner Funds through the transitions into our new funds. We continue to welcome new additions to our team, notably with five new graduates through our Graduate Scheme that launched in October 2021. We are confident in the ability of our team to overcome the challenges projected within the next financial year and exceed our clients' expectations.

## ASSET GROWTH

The Company is now proudly responsible for £28.5bn assets under stewardship for our Partner Funds (March 2021: £22.7bn), which is approximately a £5.8bn increase from March 2021 (2020/21: year-on-year increase of £5.5bn). Over the financial year, we have launched several new investment vehicles with the support of our Partner Funds.

## INVESTMENT PERFORMANCE

Further milestones were reached through the year, where the highlight has been on private markets with a total of £2.9bn (net increase in commitments from 31/03/2021 to 31/03/2022) being committed to the asset class (2020/21: nil). The first vintage of Private Credit Limited Partnership with four assigned sleeves was launched in 2021 with a total of £1.8bn in commitments from six of our Partner Funds. The second vintage of Private Equity Limited Partnerships, both primary and co-investments, successfully received £450m in commitments.

The in-house passive team continues to manage five funds, with the most recently launched being the Multi Factor Fund. These sub-funds have all met their tracking errors and performed as anticipated. The Company has also launched the Multi-Asset

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# MESSAGE FROM THE CIO CONTINUED

Credit Fund with two new external managers, adding to the already-established actively-managed sub-funds which cover global equities, emerging market equities, global corporate bonds, and emerging market bonds.

Cost savings have been delivered for each of the pooled active investment products launched by the Company since its establishment, at levels surpassing initial projections.

### INVESTMENT REPORTING

The Company undertook a review of all its portfolios following the invasion of Ukraine. We worked swiftly with our Partner Funds to ensure that they were fully aware of the position. We continue to monitor developing events in order that we can advise our clients appropriately, keeping our core values at the heart of what we do.

We are continuing to develop our reporting process and the ways in which we cooperate with our Partner Funds to ensure that we provide meaningful insight and knowledge. We engage in feedback sessions and open communication to allow for any improvements that may be beneficial to the client delivery and reporting process. It is important to us that we are accountable and transparent in reporting to the Partner Fund Pension Committees, providing a good understanding of fund performance. Looking to 2022/23, we will continue to deliver a consistent and professional outcome and are excited to continue to grow as a Company.

> **"WE ARE CONFIDENT IN THE ABILITY OF OUR TEAM TO OVERCOME THE CHALLENGES PROJECTED WITHIN THE NEXT FINANCIAL YEAR AND EXCEED OUR CLIENTS' EXPECTATIONS."**


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# RESPONSIBLE INVESTMENT & ENGAGEMENT

PATRICK O'HARA
RESPONSIBLE INVESTMENT & ENGAGEMENT DIRECTOR

**Responsible investment and engagement continues to be at the heart of everything we do. Our collective conviction is that Partner Funds' best interests are served through a combination of comprehensive ESG (Environmental, Social and Governance) integration and robust stewardship. This has remained the focus of attention for the Responsible Investment & Engagement team during the financial year.**

## COMMITMENT TO NET ZERO

In January 2022 we announced a commitment to transition LGPS Central Limited's investment portfolios to Net Zero greenhouse gas emissions (GHG). This commitment will provide additional focus and transparency to our response to the current climate emergency. It will help frame our conversations with external managers and with our investee companies, reinforcing our expectations around climate risk management and establishing parameters around the decarbonisation of our investment portfolios.

We will utilise the Institutional Investor Group on Climate Change's ('IIGCC') Net Zero Investment Framework to achieve Net Zero emissions across our internally and externally managed portfolios by 2050 (or sooner), focusing initially on Listed Equities, Corporate Bonds, Sovereign Bonds and Real Estate. In addition, we will have an interim target where we will aim to achieve a 50% reduction in GHG emissions by 2030 across our equity and fixed income portfolios. We are committed to extending our focus to include other asset classes as reliable data become available and to provide attractive investment opportunities in the Renewable Energy and Green Tech sectors to match our Partner Funds' demands.

## UK STEWARDSHIP CODE

In September 2021, the Financial Reporting Council (FRC) announced that LGPS Central Limited has been included as one of the successful signatories to the UK Stewardship Code. The Code establishes a high standard of stewardship for asset managers, asset owners and service providers when investing money on behalf of UK savers and pensioners.

The FRC defines stewardship as "the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society"[1].

This inclusion is a recognition of our conviction that responsible investment activities, including stewardship, are fundamental to the delivery of our fiduciary responsibilities.

## REPORTING

The Task Force on Climate-Related Financial Disclosures (TCFD) was established with the goal of developing a set of voluntary, climate-related financial risk disclosures which help organisations better understand and control the risks and opportunities climate change means for them.

We released our most recent stand-alone TCFD Report in January 2022, detailing the steps we are taking to ensure climate-related risks are fully integrated into our investment process. We also supported seven of our Partner Funds in producing their own TCFD-compliant reports.

Following on from previous years, the Company continued to compile bespoke Climate Risk Reports (CRR) for each Partner Fund to provide a view of the climate risk held through their entire asset portfolio and actions each could take in order to manage and reduce that risk.

During the year we undertook a review of the CRR service to enhance the analysis provided and incorporate the latest market standards and Net Zero related metrics.

## RESPONSIBLE INVESTMENT INTEGRATED STATUS (RIIS)

The Company has developed an internal RIIS accreditation which covers all asset classes and applies to all internal and external managers. The RIIS assessment covers RI beliefs, RI-related policies and procedures, RI&E integration in the selection of assets, regular RI review, stewardship policies and processes and transparency in reporting.

During 2021/22 the RI team conducted due diligence and completed RIIS assessments across all product launches including the Global Sustainable Equity Fund, the Targeted Return Fund, the Infrastructure Fund, and the UK Direct Property Fund.

We conducted quarterly review meetings with external managers across our fixed income and equity mandates during 2021/22. This monitoring programme is designed to ensure the ongoing application and efficacy of their approaches to RI and stewardship. They provide updates on their engagement activity during the previous quarter and are required to explain their ESG analysis of portfolio holdings.

During the year, we continued to meet our target that 100% of our products have RIIS and that RI&E is fully integrated into our investment process.

For our private equity co-investments, the RI&E Team worked closely with the Private Equity Team in 2021/22 to implement a KPI (Key Performance Indicator) ESG programme. As part of this process, we established a set of RI&E KPIs. We have requested

[1] UK Stewardship Code 2020, Financial Reporting Council.



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# RESPONSIBLE INVESTMENT & ENGAGEMENT CONTINUED

annual disclosures against the KPIs from each of our co-investments, allowing us to track their ESG performance on a regular basis.

## 26TH UN CLIMATE CHANGE CONFERENCE OF THE PARTIES (COP26)

Ahead of COP26 in Glasgow, LGPS Central Limited signed a statement alongside 586 other investors, managing $46 trillion in assets, urging governments to undertake five priority actions to accelerate climate investment before COP26. These priority actions include:

- Strengthening of NDCs (Nationally Determined Contributions)[2] for 2030 before COP26.
- Commitment to a domestic mid-century, NetZero emissions target, and implementation of domestic policies to deliver these targets.
- Incentivising private investments in zero-emissions solutions and ensure ambitious pre-2030 action.
- Ensuring COVID-19 economic recovery plans support the transition to Net Zero emissions and enhance resilience.
- Committing to implementing mandatory climate risk disclosure requirements aligned with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

Prior to the event we co-signed letters to 68 banks setting out expectations for Paris Agreement-alignment and protection and restoration of biodiversity. Banks play a critical role in the provision of finance to support transition to a low-carbon economy.

## ENGAGEMENT

LGPS Central Limited advocates engagement rather than divestment as the best way to deliver more sustainable corporate practices. In collaboration with our Partner Funds, we have continued engagement on four themes. For the reporting period these were:

- Climate Change,
- Plastics,
- Fair and Transparent Tax Behaviour, and
- Technology and Disruptive Industries Risks.

Alongside our own direct engagements, we have partners that engage companies on our behalf: EOS at Federated Hermes (Stewardship provider to LGPS Central Limited) and the Local Authority Pension Fund Forum (LAPFF). Through these partnerships and our own efforts, LGPS Central Limited was able to engage more than 1,000 companies on material ESG related issues in the course of 2021.

## ENGAGEMENT EXAMPLE

In the role of co-lead for CA100+ engagement with **Centrica**, we have been in frequent and constructive dialogue with the company to discuss their climate strategy and to provide views on its climate transition plan. We were pleased to see the company set a clear Net Zero target by 2045 commitment accompanied by short- term and medium-term targets in the transition plan. We also welcome the company's clear ambition to help customers decarbonise by 2050, e.g., through decarbonisation of heat. We explained our expectations relating to the indicators of the CA100+ benchmark and pointed to areas where the company would need to make further commitments to align with the benchmark. This includes short-term target setting (up to 2025) that substantiates a clear Net Zero pathway this decade. Investors would also like to see a commitment from the company to decarbonise its electric utility power generation by 2035. The company is enhancing transparency on climate policy lobbying in the climate transition plan, which we welcome. We encourage further transparency around policy barriers so that investors can support specific policy action that will help achieve Net Zero for the company and its sector.

## VOTING

Voting is a core part of our overall stewardship effort as a shareholder. To send a unique voting signal to investee companies LGPS Central Limited endeavours to vote all its shares - whether externally or internally managed - according to one set of voting principles.

2021 saw an increase in investor activities on climate change. There were 18 votes on climate transition across oil and gas, construction, aviation, and consumer goods – all passed with support ranging from 88% to 99%. LGPS Central Limited examines each *Say on Climate* vote on its individual merits and alignment to the Paris Agreement.

### 2021 VOTING STATISTICS SUPPLIED BY EOS*

- Voted at 3,344 meetings
- 40,288 resolutions
- Attended virtual AGM of Glencore
- EOS attended 66 AGMs on our behalf, including Deutsche Bank, BP, Google owner Alphabet, Novartis, Amazon and Facebook
- Voted against management for one or more resolutions at 58.6% of meetings

*LGPS Central Limited voting and engagement partner.

### ENGAGEMENT AND VOTING ON CLIMATE CHANGE

- Shell Plc's transition plan was opposed by a notable number of shareholders (c. 11%), including LGPS Central Limited, while a shareholder proposal asking the company to set and publish targets for Greenhouse Gas emissions reduction in line with the Paris Agreement received a healthy 30% support.
- We supported a shareholder resolution at Chevron Corporation requiring Scope 3 targets which gained 61% support.
- LGPS Central Limited supported minority shareholders in proxy battle at Exxon Mobil Corporation resulting in three climate-savvy Directors appointed to Exxon's board against management advice.
- We supported a shareholder proposal at Berkshire Hathaway Inc. on management of physical and transitional climate-related risks and opportunities. The Company is the largest power company without a Net Zero goal. 60% voted in favour of the proposal (adjusted for non-insiders).

[2] Nationally Determined Contributions (NDCs). Under the Paris Agreement each Party must prepare, communicate, and maintain successive nationally determined contributions it intends to achieve



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# OUR PEOPLE

HARJ KAUR,
HEAD OF HR

**The Company's agenda over the last twelve months has been focused around priorities such as implementing hybrid working arrangements, embedding smarter working as part of the move to our new offices and managing recruitment and retention.**

The workplace environment changed significantly during the year and managing staff engagement as part of this has been very important to us.

Our March 2022 Staff Conference was a success and well received, recognising achievements of staff, teams, and the Company. Our key networks continue to play a vital part in engaging with staff and improving the workplace. The 'MenTea' (Menopause support group) has supported awareness and well-being, our Mental Health First Aiders provide a confidential service to staff and the Employee Staff Voice Group is a positive source of feedback and suggestions on people-related matters.

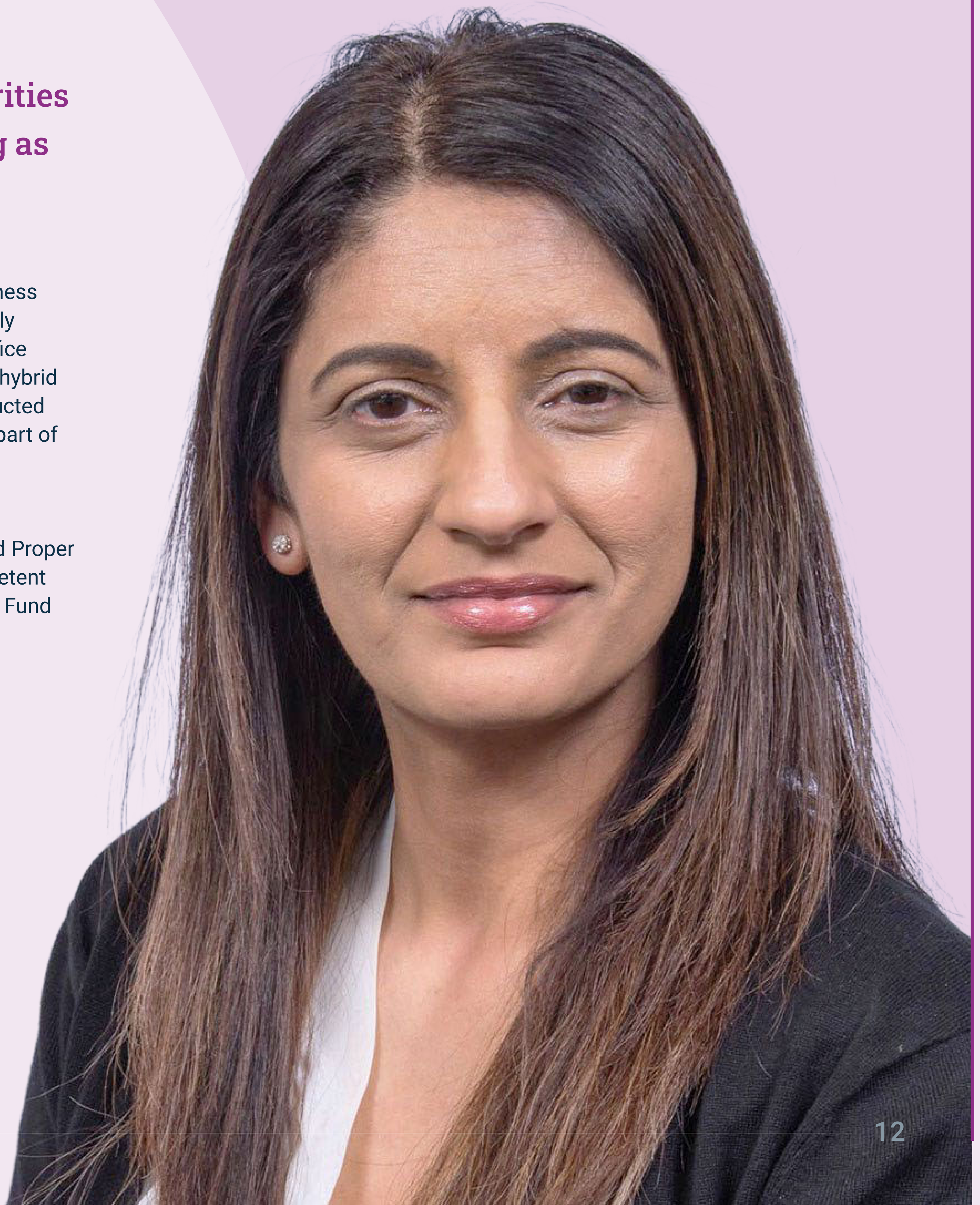
### ACHIEVEMENTS DURING THE YEAR

At the end of March 2022, we were operating at an establishment strength of 88% (number of filled roles against vacancies). Over the last 12 months we recruited and inducted twenty new staff across the business including ten through internal promotion. We have also secured our Chief, Legal, Compliance and Risk Officer, a key appointment for the business due to start in September 2022.

October 2021 saw the successful recruitment and onboarding of our second cohort of graduates, commencing a twenty-four-month rotation programme and undertaking formal qualifications aligned to their career pathways.

A notable achievement for the business overall was the successful and highly anticipated transition to our new office spaces, i9. All staff were trained on hybrid working, use of technology and inducted on all health and safety matters as part of the move.

All staff are routinely assessed and certified under the regulatory Fit and Proper regime to ensure they remain competent and capable as stewards of Partner Fund pooled assets.



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# OUR PEOPLE CONTINUED

## DIVERSITY AND INCLUSION

### DIVERSITY PROJECT

a cross-company network to promote the acceleration of progress towards an inclusive culture in the investments sector.

### ENEI

Employer's Network for Equality & Inclusion is the UK's leading employer network covering all aspects of equality and inclusion in the workplace.

### 30% CLUB

group of business chairs and CEO's taking action to increase gender diversity on boards/senior management teams (minimum 30% representation).

Our commitment continues to maintain a diverse and inclusive workforce, with 41% of our staff represented as BAME as of 31 March 2022. We now have 16 different nationalities across the business adding value to all we do every day. We employ 41% women and 59% men.

LGPS Central Limited has been monitoring the gender pay gap and distribution over the last few years. As we have fewer than 250 employees, we are not obliged to meet any statutory reporting requirements. Our Board are keen to ensure we remain committed to a culture of diversity and inclusion within the business.

It is reassuring that our overall gender pay gap has been reducing over the last few years. We will continue to review our people policies and practices across the Company to support inclusivity. We have not set any specific 'targets' as we believe it is important to recruit and promote on capability but have been focusing on development and succession planning to ensure we can provide opportunities to promote into senior roles.

Our median gender pay gap as of March 2022 is 41.2% (March 2021: 43.9%). Our mean gender pay gap is 36.6% (March 2021: 32.2%). The main reason for this is that 61% of males are in middle/top management in the business. This affects the pay distribution across the quartiles. The business has been subject to some restructuring and turnover over the last 12 months and, as a small company, minor changes in overall staffing numbers can have a big impact on the headline figures.

> "OUR COMMITMENT CONTINUES TO MAINTAIN A DIVERSE AND INCLUSIVE WORKFORCE"

# GOVERNANCE STRUCTURE

**Strong governance is key to the effective operation and success of the Company, to ensure our legal and regulatory compliance and the secure management of Partner Funds' assets.**

A robust governance structure has been put in place since the Company's inception.

Figure 2: LGPS Central Limited governance structure




LGPS Central Limited

# THE BOARD

During 2021/22 the Board continued to invest significant time and effort to ensure our governance framework operated effectively throughout the Company. The Company Board comprises a Non-Executive Chair and three further Non-Executive Directors (NEDs). The Chief Executive Officer (CEO) and the Deputy Chief Executive (DCEO) are executive Board members.

## JOANNE SEGARS OBE

***Chair and Non Executive Director,***
***Chair of the Nominations Committee and member of the Remuneration Committee***

Joanne has over 30 years in the pensions and investment sector and is an experienced chair and non-executive director. She was appointed as the first Chair of LGPS Central Limited in May 2017. She became the chair of NOW: Pensions in 2019, having been appointed to the Board in 2017. Joanne is also a member of the Independent Governance Committee at Legal and General and is a member of the pension Fund Governing Board at CERN. She has been chair of the Joint Expert Panel on the USS and a pensions expert to the review of TfL's pension arrangements. She was the Chief Executive of the Pensions and Lifetime Savings Association (PLSA) until June 2017 having been its first Policy Director. She joined the organisation from the Association of British Insurers where she was Head of Pensions and Savings and held the pensions brief at the Trades Union Congress for 13 years, having started her career as a pensions researcher and journalist at Incomes Data Services. She was Chair of the Environment Agency Pension Fund (EAPF) from 2017-2019. Joanne was a Board member of Pensions Europe, the EU trade association for pensions, from 2010 – 2017 and its Chair from 2012 – 2015. She was a founding governor of the Pensions Policy Institute. Joanne has a degree in economics from John Moores University and an MA in Industrial Relations from the University of Warwick. She was awarded the OBE for services to pensions in the 2003 Queen's Birthday Honours.

## EITHNE MCMANUS

***Non Executive Director, Chair of the Audit, Risk and Compliance Committee and member of the Nomination Committee***

Eithne has worked in regulated financial services companies for over 30 years. She is an experienced non-executive director and currently also sits on the board of Countrywide Assured Ltd and Scor Ireland dac, and is a member of the With Profits Committee at Prudential Assurance Company. Eithne is currently chair of the Audit Committee and a member of the Risk Committee at Scor Ireland. She is a member of the Audit and Risk Committee and Investment Committee at Countrywide Assured. In her executive career she was a Director of Countrywide Assured and CEO of City of Westminster Assurance, having previously been its CFO. She is a qualified actuary.

## JOHN NESTOR

***Non Executive Director, Chair of the Remuneration Committee and member of the Audit Risk and Compliance Committee***

John has worked in asset management for over 30 years. Over the course of his executive career, where he held FCA approved control functions, he was responsible for a large number of LGPS investment mandates. John was CEO and Director for the UK Institutional, Retail and Chair of the Life Company at UBS Global Asset Management, CEO at Citigroup Asset Management, and Director of Institutional Marketing and Client Service at Henderson Global Investors. He is currently an Independent Member of the Independent Governance Committee for Prudential and Chairman of the Prudential Corporate Pension Trustee Limited, and Chairman of the staff pension scheme for the Marylebone Cricket Club. In addition, John is a Professional Accredited Trustee with Capital Cranfield and Chair of a number of Occupational Private Funds.

QUICK NAVIGATION

# THE BOARD CONTINUED

## SUSAN MARTIN

***Non Executive Director, Member of the Nominations Committee, Audit, Risk and Compliance Committee and Remuneration Committee***

Susan is on the Board of Town and Country Housing where she chairs its Customer Services Committee and an executive coach. She is the former CEO of fellow UK local authority pensions pool, Local Pensions Partnership Ltd. Prior to this, she held multiple senior roles at the London Pension Fund Authority, including more than two years as CEO. She has also held director roles at Greenstone Consulting, Queen Victoria Hospital NHS Foundation Trust and Cancer Research UK. She has experience in strategic partnership working, start-ups, acquisitions, mergers, business change and organisational development in several industries. Additionally, she was Pensions Lead and Board Member at the Public Services People Managers Association for three years and a member of the defined benefit council and LGPS committee at the Pensions and Lifetime Savings Association.

## MIKE WESTON

***Executive Director, Chief Executive Officer***

Mike has spent over 30 years managing or investing on behalf of both public and private sector pension schemes. Mike became CEO of LGPS Central Limited in March 2018. Since then assets under management have grown significantly, with several multi-billion pound fund launches and investment fund vehicles spanning both public and private markets asset classes. The “One Central” team of investment professionals has also grown and now numbers almost 70, across two offices in the Midlands. Before taking the lead at LGPS Central, Mike was the CEO of Pensions Infrastructure Platform (PiP). Mike joined PiP in 2014 and successfully built the investment and management team, achieved FCA authorisation, launched the PiP Multi-Strategy Infrastructure Limited Partnership and acquired 16 UK infrastructure assets across renewable energy, transport, health and social housing. Prior to PiP, Mike spent five years as Chief Investment Officer for the £2bn pension schemes of DMGT plc, the UK based, global media business.

Mike was responsible for investment strategy, portfolio management, oversight of external investment managers and the management of the in-house investment team. Between 2001 and 2008 Mike was Deputy Managing Director of Hermes Focus Asset Management. As a Board member at HFAM, Mike led the UK investment team, managed relationships with the global pension scheme investor base and helped build a profitable third-party client business. Mike began his investment career at Hermes in 1990 as a UK Smaller Companies Equity Portfolio Manager before moving to Mercury Asset Management (Merrill Lynch Investment Managers, Blackrock) in 1997. Since 2010 Mike has served as an Independent Trustee of the Institute of the Cancer Research Pension Scheme and is the current Chair of the Trustee Board. Mike is a member of the 30% Club, a global campaign to increase gender diversity at board and senior management levels.

## JOHN BURNS

***Executive Director, Deputy Chief Executive Officer***

John joined the Board of LGPS Central Limited in September 2017 where he is responsible for the oversight of the infrastructure functions and for the financial management of the Company. John was previously Group Chief Operating Officer with Baring Asset Management, a London based global asset manager. He has extensive international COO experience in developed, emerging and frontier markets across both institutional and wholesale sectors. Prior to this John had various COO, finance and risk management positions with Schroders, Fidelity and Visor Capital in London and in Asia. His previous experience as an Executive Management Committee member encompasses leadership, strategic business development and oversight of many aspects of asset management, together with practical knowledge of global regulatory and governance regimes.

QUICK NAVIGATION
WELCOME FROM THE CHAIR
STRATEGIC REPORT FROM THE CEO
MESSAGE FROM THE CIO
RESPONSIBLE INVESTMENT & ENGAGEMENT
OUR PEOPLE
**GOVERNANCE**
BOARD SUB-COMMITTEES
COMPLIANCE & RISK MANAGEMENT
SECTION 172 STATEMENT
DIRECTORS’ REPORT
DIRECTORS’ RESPONSIBILITIES
AUDITOR’S REPORT
FINANCIAL STATEMENTS

# BOARD SUB-COMMITTEES

## 01 REMUNERATION COMMITTEE

### REPORT FROM THE CHAIR OF THE REMUNERATION COMMITTEE

**The responsibilities of the Remuneration Committee are to approve the Company's remuneration strategy and policy, to review pensions arrangements, pay and benefits for staff and to assess performance against the objectives for Executive Directors.**

The members of the Committee are John Nestor (Chair), Joanne Segars and Susan Martin, all of whom are independent NEDs. The committee met three times during 2021/22. The activities of the Committee during this time included:

#### REVIEW OF REMUNERATION POLICY

The Committee approved a new Remuneration and Benefits Framework for staff, setting out the overall principles and processes for developing, assessing, and approving pay and benefits. This was a key focus of work this year when determining annual budgets and pay increases but also making pay processes more transparent for our Shareholders. Members reviewed the scope of pensions across staff groups recognising some of the challenges within the current arrangements.

#### ANNUAL REVIEW OF CODE STAFF

To comply with FCA regulations, there was a full review of the population of Code Staff and the group of staff defined as those having a material impact on the Company's risk profile including Senior Managers with significant influence. The Regulatory Remuneration Policy was updated to reflect these changes.

#### ANNUAL REVIEW OF EXPENSES POLICY

Certain expenses are incurred by members of the Company whilst conducting normal business activities. The Committee reviews the scope and level of expenses that the Company deems reasonable, and which will be reimbursed. The policy was reviewed with minor changes to ensure it was still appropriate to the business.

#### SALARY AND STAFF BENEFITS BENCHMARKING

The Committee reviewed the remuneration and benefits available to LGPS Central Limited staff in comparison to other LGPS Pool companies and to a broader peer group universe. A market benchmark survey was supported by a reward consultant identifying job roles below market benchmark levels. This helped inform the Committee's recommendation to the Board of pay rises for 2022/23.

#### CEO/DCEO OBJECTIVES

The Committee is responsible for approving the performance objectives for the CEO and DCEO, and for reviewing delivery against those objectives. Such objectives and their delivery were reviewed at the start, mid-point, and end of the financial year.

#### ANNUAL REVIEW OF TERMS OF REFERENCE

The Committee reviewed its terms of reference and made some minor adjustments to bring them up to date.

#### JOHN NESTOR, CHAIR OF REMUNERATION COMMITTEE

# BOARD SUB-COMMITTEES CONTINUED

## 02 AUDIT, RISK & COMPLIANCE COMMITTEE

### REPORT FROM THE CHAIR OF THE AUDIT, RISK AND COMPLIANCE COMMITTEE

**The responsibilities of the Audit, Risk and Compliance Committee are to ensure the effectiveness of LGPS Central Limited's systems of control. It provides leadership and oversight of the Company's risk management system and compliance policies and procedures, and of the internal and external audit processes.**

The members of the Committee are Eithne McManus (Chair), John Nestor and Susan Martin, all of whom are Independent NEDs. The Committee met five times during 2021/22. During this time, it oversaw the valuable assurance work carried out within the Company. This included:

#### INTERNAL AUDIT

Review and approval of the draft audit plan and of each of the audit reports provided by our outsourced internal audit partner, KPMG. It discussed the mechanisms in place within the company to ensure delivery actions identified through the internal audit processes and held a private meeting with the internal auditor.

#### EXTERNAL AUDIT OVERSIGHT

Review and approval of the draft audit plan, and of the outcome of the audit of both LGPS Central Limited and of its subsidiary entities, limited partnerships and the ACS. The Committee reviewed the relevant financial statements and recommended them to the Board for approval.

#### EXTERNAL AUDIT PROCUREMENT PROCESS

As Deloitte had completed five years as our external auditor on completion of the current financial statements (March 2022), it was decided to carry out a full procurement process to identify a suitable auditor for the coming years. A procurement process was carried out using the Crown Commercial Services Framework and the Committee decided to recommend to the Board and to Shareholders that Deloitte should be re-appointed for a further three-year term (with a possible two-year extension). However, Andrew Partridge, our current audit partner, will be rotating from this role and will be replaced by Chris Hunter, also of Deloitte. The Committee would like to thank Andrew for his work and support to the Committee from the start-up of the company in 2017 to date.

#### INTERNAL CONTROLS REPORT

The Committee oversaw the process for the production of the AAF report under the new ICAEW guidance (AAF 01/20 which replaced AAF 01/06). The new guidance has required some amendments to our documentation of the control environment. A number of control exceptions were noted (most of which were self-identified) and plans are in place to address all of these.

#### RISK AND COMPLIANCE

The Committee reviewed regular updates to the Risk Register, and including the specific Covid-19 risk register, which continued to be used to support management of the risks associated with the pandemic for most of the period. It also reviewed the Company's annual Internal Capital Adequacy Assessment process (ICAAP), including the work being done to prepare for the new regulatory requirement of an Internal Capital Adequacy and Risk Assessment (or ICARA).

The Committee also approved the annual Compliance Plan and received regular reports from the Compliance team on their activities, including work on incident reporting and rectification.

**EITHNE MCMANUS,**
**CHAIR OF AUDIT, RISK AND COMPLIANCE COMMITTEE**



LGPS Central Limited

# BOARD SUB-COMMITTEES CONTINUED

## 03 NOMINATIONS COMMITTEE

**The responsibilities of the Nominations Committee are to recommend to Shareholders the appointment/re-appointment of Executive and NEDs, the evaluation of the performance of the Board and succession planning.**

The members of the Committee are Joanne Segars (Chair), Eithne McManus and Susan Martin, all of whom are Independent NEDs.
The Committee met four times during 2021/22.

### RECRUITMENT

Over the course of the year, there has not been any recruitment of executive or Non-Executive Directors.

### SUCCESSION PLANNING

Each year the Committee reviews succession planning twice during the year, to ensure there is continuity of service and business operation in the event that a key member of staff is unavailable for a short period or leaves the business before a replacement has been appointed. The Committee found that appropriate plans for succession were in place to ensure the continuing operation and robustness of the Company in the event of short or prolonged absences of key members of staff and the Board.

### FIT AND PROPER REVIEW

Following the successful integration of the Senior Managers and Certification Regime (SMCR) that was introduced in 2019, the Company continues to confirm that those defined under the Senior Managers and Certification Regime (SMCR) as Senior Managers, Certified Persons and non-Senior Manager NEDs are certified as Fit and Proper. This includes an assessment against a range of criteria: honesty, integrity, and reputation; competence and capability; financial soundness; and personal characteristics. The process was undertaken for the first time in 2020 and was overseen by the Nominations Committee. Senior Managers (CEO, DCEO and the Chair of the Board) were certified as Fit and Proper. Non-senior managers (including the remaining NEDs) completed a self-declaration, as required by the FCA, following an assessment by the individual's line manager.

### BOARD EFFECTIVENESS REVIEW

Each year since inception, the Board has undertaken a review of its performance. This covers the performance of the individual Board member and of the Board as a whole. In line with best practice, and the Company's own Corporate Governance policy, every third year that review is conducted by an external third party. Overall, the Board evaluation results show that the Board believes it is operating effectively. This is consistent with the findings of the external Board evaluation in 2021. The Board felt it had the right breadth of skills and that these would be augmented by the currently proposed additions to the Board following the Non-Executive Director (NED) recruitment exercise, which would further enhance the collective investment experience, taking place in the 2022/23 financial year following the retirements of Eithne McManus and John Nestor.

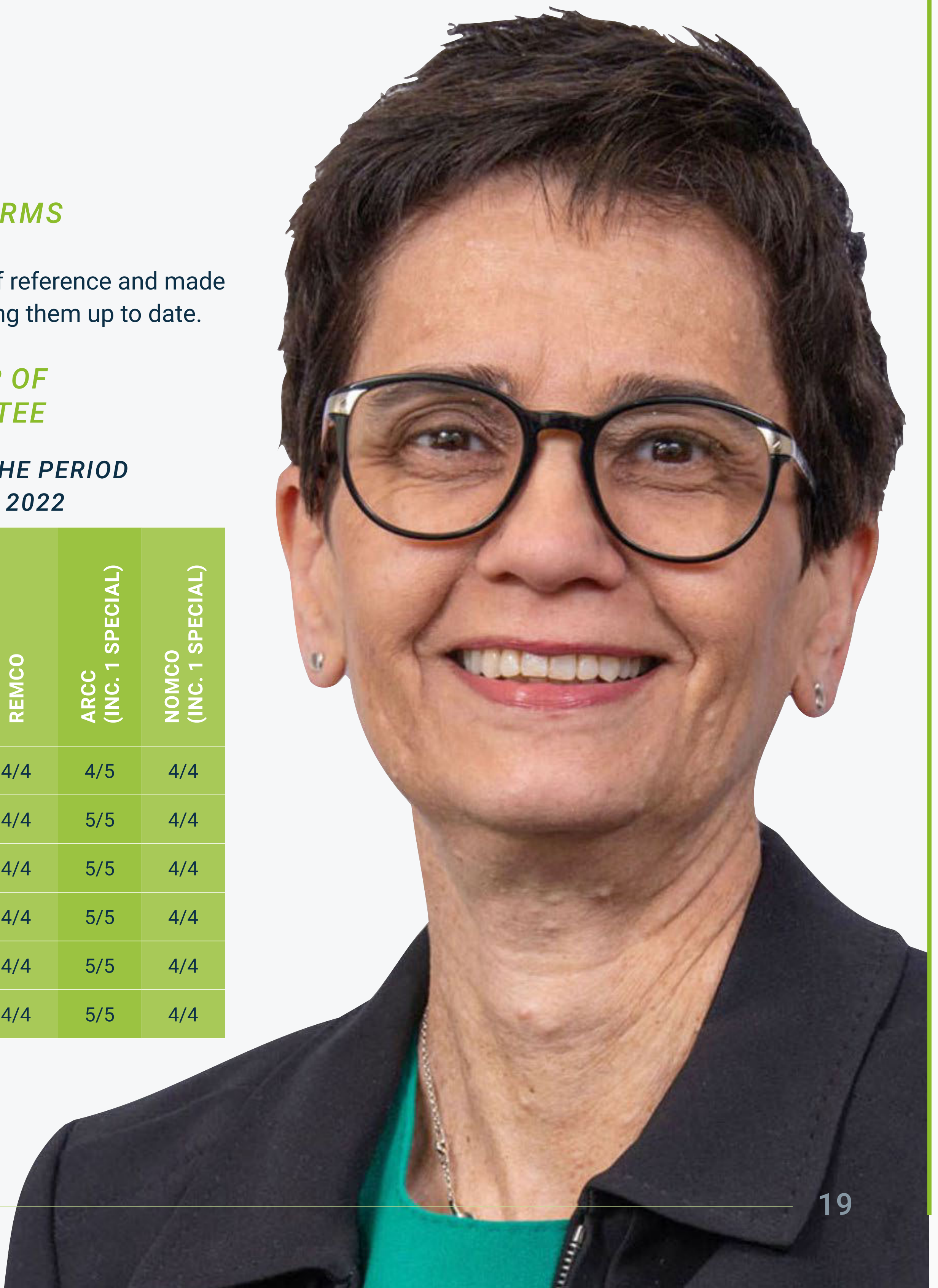
### ANNUAL REVIEW OF TERMS OF REFERENCE

The Board reviewed its terms of reference and made some minor adjustments to bring them up to date.

### JOANNE SEGARS, CHAIR OF NOMINATIONS COMMITTEE

*BOARD ATTENDANCE FOR THE PERIOD 1 APRIL 2021 TO 31 MARCH 2022*

| NAME | BOARD (INC. 2 SPECIALS) | REMCO | ARCC (INC. 1 SPECIAL) | NOMCO (INC. 1 SPECIAL) |
|---|---|---|---|---|
| Joanne Segars | 9/9 | 4/4 | 4/5 | 4/4 |
| Eithne McManus | 9/9 | 4/4 | 5/5 | 4/4 |
| John Nestor | 7/9 | 4/4 | 5/5 | 4/4 |
| Susan Martin | 9/9 | 4/4 | 5/5 | 4/4 |
| Mike Weston | 8/9 | 4/4 | 5/5 | 4/4 |
| John Burns | 9/9 | 4/4 | 5/5 | 4/4 |







LGPS Central Limited

# COMPLIANCE & RISK MANAGEMENT

## The Company is committed to maintaining a robust culture of risk management and compliance.

### COMPLIANCE

Over the course of 2021/22, both the Compliance and Risk teams worked to maintain the Risk Framework approved by the LGPS Central Limited Board as appropriate for the size and complexity of our business.

The Risk Framework has been designed to meet the expectations created by the risk appetite articulated by the Board. This risk appetite is a statement of the baseline risk the Company is willing to accept in meeting its strategic goals before mitigating actions are triggered.

These organisational arrangements underpin our governance model and demonstrate that the Company is identifying, monitoring, and managing its regulatory and risk environment. It is embedded within each department of the Company and allows them to develop specific control processes to mitigate the individual risks they are most exposed to. This encourages a culture of ownership and accountability across the Company.

The Compliance team has delivered relevant training (initial and ongoing) to the Company and both "day to day" secondary assurance and more focussed thematic reviews. The outputs from these are shared through the robust internal committee structure – the Executive Committee, the Operations, Risk, Compliance & Operations Committee (ORCA), the Audit, Risk & Compliance Committee (ARCC) and then to the Board. No material concerns have been raised, either internally or externally.

Given the impact of the Covid-19 pandemic, it was understandable that the FCA looked to ensure the strength of the UK's financial services industry and avoid unnecessary additional pressures or regulatory changes.

However, one material change was the introduction of the Investment Firm Prudential Regime from the start of 2022. One of the drivers behind these new rules is to allow a regime more in line with the risks presented to agency investment management firms such as ourselves, rather than on those presented by the Banks.

Our work on moving from the ICAAP to the ICARA (Internal Capital and Risk Assessment) model is well advanced and we have not identified any material change to positive capital adequacy.

### RISK MANAGEMENT

Risk Management requires a broad understanding of internal and external factors that can impact achievement of strategic and business objectives. Risk Management is the planned and systematic approach to identifying, analysing, evaluating, and treating risks of the organisation. This involves determining the acceptable level of exposure to risk which enables the achievement of LGPS Central Limited objectives whilst achieving a balance between the level of risk exposure and the cost of mitigating actions.

Risks are managed through a framework of principles, organisational structures, measurement, and monitoring processes that are closely aligned with the activities of the business. While no risk management system can address every risk, the goal is to ensure prioritised risks are managed within acceptable levels. The Board is ultimately accountable for the internal controls and risk management.

The Company's successful response to Covid-19 and the subsequent changes to working arrangements is testament to the robustness of our Business Continuity Plan arrangements, control environment and governance structure. As we now emerge from the pandemic, LGPS Central Limited has adopted a hybrid working model. Working through the pandemic has demonstrated that maintaining a strong business culture, whilst meeting all our clients and regulatory requirements can still be met regardless of the location of our staff. With the occupancy of the new office space in i9, along with new and improved technology, hybrid working enhances the flexible working arrangement regardless of where staff members choose to work from.



QUICK NAVIGATION



LGPS Central Limited

# COMPLIANCE & RISK MANAGEMENT *CONTINUED*

## *RISK FRAMEWORK*

Over the course of 2021/22 the Risk team worked to enhance and embed the Risk Framework approved by the LGPS Central Limited Board and when establishing these procedures and structures, LGPS Central Limited has taken into account the principle of proportionality which allows procedures, mechanisms, and the organisational structure to be calibrated to the nature, scale, and complexity of LGPS Central Limited's business, of the investments it manages and to the nature and range of activities carried out in the course of its business. This policy is subject to annual review or more frequently (if required).

The Risk Framework underpins our governance model and demonstrates that the Company is identifying, monitoring, and managing its regulatory and risk environment. Our risk framework is embedded within each department and allows them to develop specific controls and processes to mitigate the individual risks they are most exposed to. This encourages a culture of ownership and accountability across the Company.

Risk Management is the responsibility of everyone at LGPS Central Limited. We maintain a register of risks and each department maintains their own respective risk registers that informs the assessment of strategic risks, where appropriate and are integrated into the planning and budgeting process.

The Company continues to monitor the regulatory landscape and implement measures in response to regulatory changes. Further regulatory changes for 2022/23 are being monitored, which currently include the potential impact of Consumer Duty and the ICARA process.

We operate a three lines of defence risk management model whereby Business Management, Risk & Compliance Management oversight and Assurance roles are functions independent of one another.


QUICK NAVIGATION



LGPS Central Limited

# COMPLIANCE & RISK MANAGEMENT CONTINUED

1

### FIRST LINE OF DEFENCE – BUSINESS MANAGEMENT

Management of each business area is responsible for continually identifying, assessing, and managing the risks within their area of responsibility on a day-to-day basis. They are also responsible for the successful design, implementation, and operational effectiveness of controls to mitigate and manage the risks within their area.

2

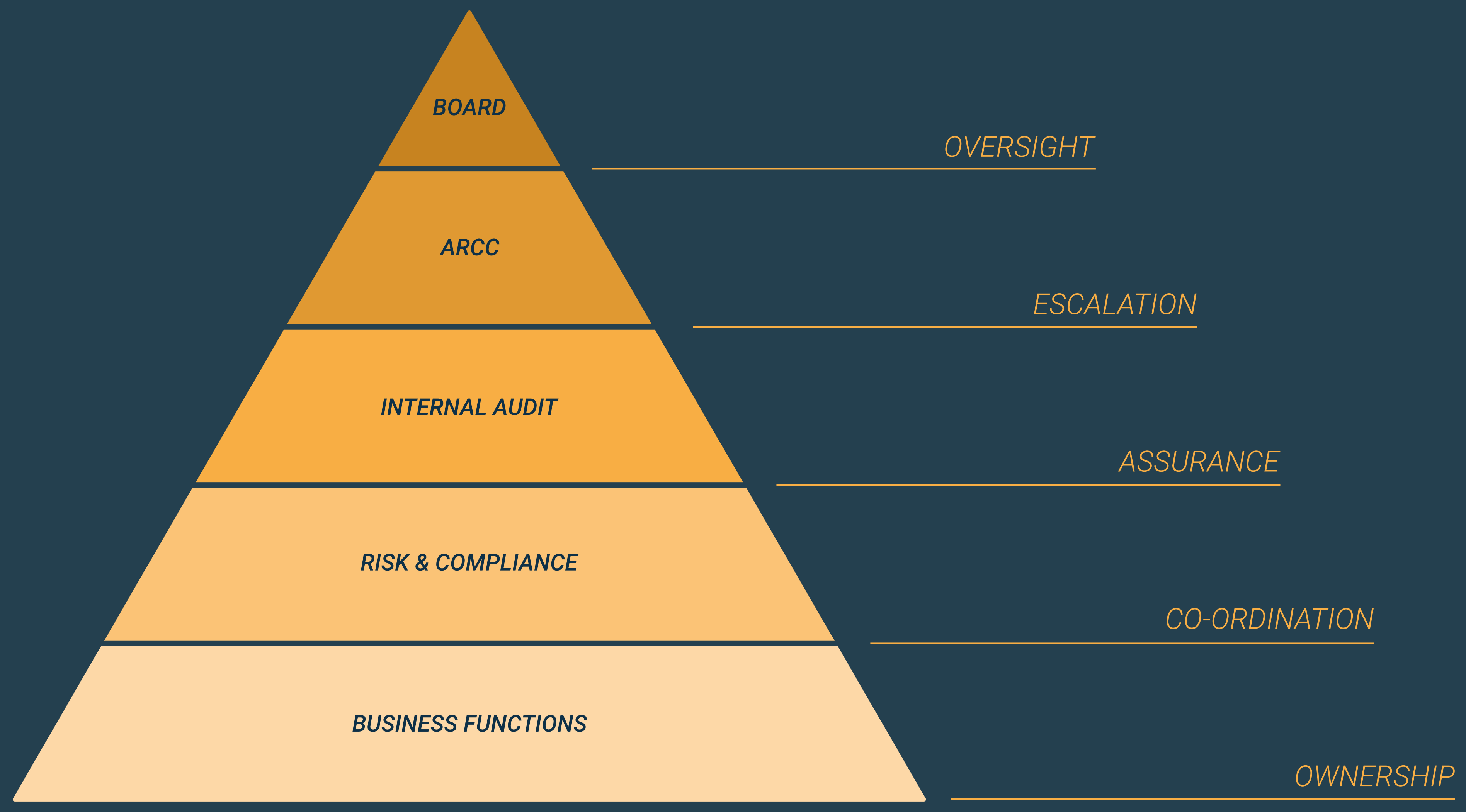
### SECOND LINE OF DEFENCE – RISK & COMPLIANCE MANAGEMENT

The second line provides policy direction, oversees, and monitors the risk framework to determine whether all key risks are being identified, assessed, and controlled by management in a manner commensurate with the Company's risk appetite and in compliance with policies and regulations.

3

### THIRD LINE OF DEFENCE - ASSURANCE

The third line of defence, provided by Internal Audit, objectively assesses the adequacy and effectiveness of the processes within the first two lines and provides periodic assurance on the control environment across LGPS Central Limited. An internal audit plan is reviewed and approved by the ARCC on an annual basis.




### AUDIT AND ASSURANCE FACULTY (AAF)

The Company issued an AAF 01/20 internal controls report covering the period 1 January 2021 to 31 December 2021 .The Institute of Chartered Accountants in England and Wales (ICAEW) published a new technical release AAF 01/20, which replaced AAF 01/06 used previously. The new release is designed to further clarify its guidance and standards. This report has been completed using the new standard. This involved extensive testing of the design and operational effectiveness of the key controls within our business areas of Investment Management, Private Equity, and Information Technology. This is an important report for the demonstration of the robustness of our control environment.

QUICK NAVIGATION



LGPS Central Limited

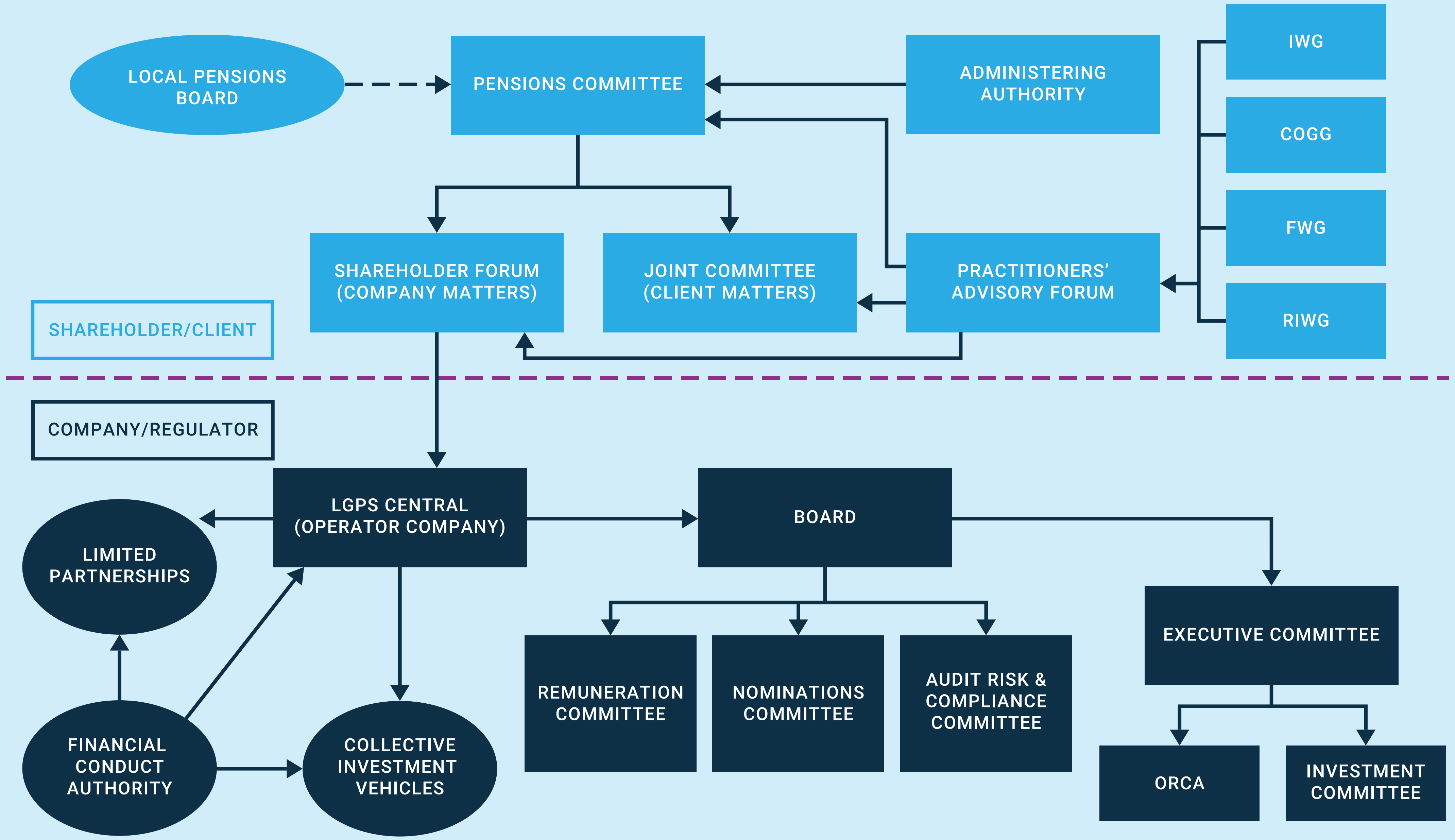
# SECTION 172 STATEMENT

**This statement provides an opportunity to explain how LGPS Central Limited engages with its stakeholders and clients in order to inform and assist the Board as it shapes its decisions. It also explains how the Board considers making principal decisions.**

Through regular dialogue and by working collaboratively with the Company's Executive Management, its stakeholders and clients, the Board believes that it is well placed to identify, consider, and respond to any challenges which may occur.

The governance structure of the Central Pool and the relationship between Company and Partner Funds is illustrated in Figure 3.

Figure 3 – Governance Structure of the LGPS Central Pool



# SECTION 172 STATEMENT CONTINUED

**Frequent and regular dialogue and engagement takes place between Company Directors and LGPS Central Limited's clients and Shareholders through specific Company and Partner Fund forums covering specific aspects of the Company's development and progress.**

## COMPANY GENERAL MEETING

The Company General Meeting is led by the LGPS Central Limited Board, is attended by representatives from the eight Partner Funds (one elected member or delegated officer from each administering authority) and takes place every six months. Key issues including reports from the Board sub-committees are presented by members of the Board and opportunities are available for Shareholders to question the Board and vote on key resolutions.

## JOINT COMMITTEE

The Joint Committee includes one elected member (Councillor) from each of the eight Partner Funds. The Committee meets twice per year and invites representatives from LGPS Central Limited to provide updates specifically aimed at its client base. Updates are typically provided by the Company Chair, the CEO, Deputy CEO, CIO, Investment Directors, Head of Client Services & Stakeholder Relations and the Director of Responsible Investment & Engagement. The updates focus on the Company's overall development and progress, investment performance, responsible investment and engagement and the reporting of Key Performance Indicators against targets.

The Joint Committee and Company General Meetings are always attended by LGPS Central Limited Executive and Non-Executive Directors. The other Partner Fund forums detailed below are predominantly attended by Executive Directors and senior company staff. Proceedings of these meetings are routinely reported upwards to the Board.

## PAF (PRACTITIONERS ADVISORY FORUM)

A Partner Fund-led forum which includes representatives from each of the eight Partner Funds (clients and Shareholders). The Forum invites LGPS Central Limited Executives to present and discuss updates, on a monthly basis, on the Company's progress. Updates are typically provided by the CEO, Deputy CEO, CIO, members of Client Services & Stakeholder Relations team and the Director of Responsible Investment & Engagement. Non-Executive Company Board members also attend the Forum whenever possible.

## IWG (INVESTMENT WORKING GROUP)

A Partner Fund-led forum which includes representatives from each of the eight Partner Funds. The IWG invites LGPS Central Limited Executives to provide updates, on a monthly basis, relating to LGPS Central Limited investment fund development and investment fund performance. Updates are presented by the CIO, Investment Directors responsible for each LGPS Central Limited fund (Public and Private Markets) and the Director of Responsible Investment & Engagement. The IWG is the principal mechanism through which collective Partner Fund views are sought on the development and evolution of the Company's investment funds, to ensure they meet client needs. For example, during 2021/22 the Company worked in close co-operation with its Partner Funds to develop the three ACS global sustainable equity sub-funds, which were launched in April 2022.

## RIWG (RESPONSIBLE INVESTMENT WORKING GROUP)

This Working Group includes representatives from some of the eight Partner Funds and LGPS Central Limited specialists, such as the Director of Responsible Investment & Engagement, members of the Responsible Investment & Engagement Team and the Communications Manager. The Group meets regularly throughout the year. The Company provides updates and works with the Group on topics such as climate change, the use of plastics, voting issues, current consultation papers and climate risk reporting.

## FWG (FINANCE WORKING GROUP)

This Working Group includes representatives from some of the eight Partner Funds and financial specialists from LGPS Central Limited such as the DCEO and Head of Finance. The Working Group meets when required to provide input and to scrutinise the LGPS Central Limited annual budget and business plan.

## GWG (GOVERNANCE WORKING GROUP)

This Working Group includes representatives from some of the eight Partner Funds and, from time to time, senior members of LGPS Central Limited are invited to attend. The Group focuses on governance and compliance issues. Attendees from the Company include the DCEO and the Chief Legal, Compliance and Risk Officer.

| FORUM / COMMITTEE / MEETING | NUMBER OF MEETINGS IN 2021/22 |
|---|---|
| PRACTITIONERS ADVISORY FORUM (PAF) | 12 |
| INVESTMENT WORKING GROUP (IWG) | 12 |
| RESPONSIBLE INVESTMENT WORKING GROUP (RIWG) | 3 |
| FINANCE WORKING GROUP (FWG) | 2 |
| GOVERNANCE WORKING GROUP (GWG) | 7 |
| JOINT COMMITTEE (JC) | 2 |
| COMPANY GENERAL MEETING (CGM) | 2 |

# SECTION 172 STATEMENT

CONTINUED

## HOW THE LGPS CENTRAL LIMITED BOARD CONSIDERS STAKEHOLDERS IN DECISION MAKING

### STRATEGY

The Directors review the Company's progress against its strategic priorities, assessing different areas of the business so that the Company can deliver a successful outcome for its stakeholders and to operate as "One Central Team, working in partnership to invest with purpose and deliver superior returns".

### PERFORMANCE

The Board regularly reviews and monitors Key Performance Indicators for the business which are designed to have a direct and positive impact upon our stakeholders whether they be Shareholders, clients or employees. The Company also distributes an annual Client Satisfaction Survey to measure the delivery of our services to clients, allowing the Company to identify, both quantitatively and qualitatively, areas where the Company has been successful as well as areas where improvements can be made.

### PEOPLE

LGPS Central Limited Employees are key to the success of the business. This year saw a strong recruitment drive to increase headcount to reflect and support the launch of new investment funds and the subsequent increase of assets under stewardship. A properly resourced business means that we can best serve all our stakeholders.

### GOVERNANCE

The Board believes that strong governance is essential to the success of the Company, providing trust, confidence, and reassurance to all stakeholders. During the year, an independent external evaluation of the Board's performance was undertaken. The result was positive. The outcome and actions for the future were reported and discussed with Partner Funds.

## HOW LGPS CENTRAL LIMITED ENGAGES AND FOSTERS STRONG RELATIONSHIPS WITH OUR STAKEHOLDERS

### CLIENTS

Listening to our clients is important to us, and we regularly engage with all eight Partner Funds on a one-to-one basis, as well as collectively through various forums and working groups. We host clients at regular themed events, such as our Annual Stakeholders' Day and Responsible Investment Summit. We both attend and present at Partner Fund Committee meetings and provide training to Pension Committee Members when required.

### EMPLOYEES

One of our key values is to make LGPS Central Limited a great place to work. We have established a staff forum, the Employee Staff Voice Group, to hear suggestions and feedback from staff, which we also do via regular staff surveys. Staff are given regular Performance Development Reviews to ensure they are progressing with their career, and we keep them informed of Company business with weekly updates from our Executive team and a range of internal communications. We are a champion of Diversity and Inclusion, being a proud member of the Employers Network for Equality and Inclusion (enei), Diversity Project and 30% Club.

### SHAREHOLDERS

We engage directly with our Shareholders through our AGM and Company General Meeting, where we provide key updates and answer questions. We produce our Annual Reports and Accounts and quarterly financial updates.

### GOVERNMENT

Regular engagements take place between the Company Board Directors and the Department for Levelling Up, Housing and Communities (DLUHC) to discuss the delivery of Government priorities for Pooling, such as cost savings, transparency, reporting and tackling climate change. We also report specific data and performance metrics to MHCLG annually. We provide responses to key consultation papers, such as the European Commission Consultation on Non-Financial Reporting Directive (June 2020), to ensure our voice is heard within the industry, and provide regular cost transparency reporting to Clients, as per the LGPS Scheme Advisory Board (SAB) templates.

### REGULATORS

We are a Financial Conduct Authority (FCA)-regulated business, giving our clients assurance that we are managing their money in the right way. We complete all applicable regulatory returns to the FCA and are in constant dialogue with them prior to seeking formal approval for new fund launches.

### INDUSTRY PEER GROUP

Chairs of the eight LGPS pension pooling companies meet regularly to discuss shared challenges and opportunities. The CEO, DCEO, HR, Legal, and Communications teams from the eight Pools also meet regularly in sub-groups to discuss developments in their specific areas of expertise.

### LOCAL COMMUNITIES

We support our communities in a number of ways. Our Chief Investment Officer supports social mobility charity upReach's "Investment Springboard" programme, which helps investment professionals mentor university students from lower socio-economic backgrounds looking to take their first steps in an investments career. The Company has held, and taken part in, several fundraising events in Wolverhampton, raising money for a number of charitable organisations throughout the year.

### HIGH STANDARDS OF BUSINESS CONDUCT

We understand the importance of maintaining the company's reputation as an organisation that maintains high standards of business conduct. This is embedded throughout the company's culture, its values and behaviours and in its dealing with all stakeholders, as set out in the preceding paragraphs.

# SECTION 172 STATEMENT

CONTINUED

## HOW THE LGPS CENTRAL LIMITED BOARD CONSIDERS MAKING PRINCIPAL DECISIONS

### BUSINESS PLAN AND BUDGET

We work very closely with Partner Funds and Section 151 Officers to develop and approve the Company's annual Business Plan and Budget. The process is collaborative throughout, involving initial discussions on Partner Fund strategic priorities and how the Company can best meet those priorities. Through regular discussions, we determine the services and funds Partner Funds require and agree a sensible budget which will offer high-quality products and services while achieving value for money. Approval of the Budget Plan and Budget requires unanimous approval from all Shareholders, and it is therefore essential that the views of all eight of our Partner Funds are taken into consideration.

QUICK NAVIGATION



LGPS Central Limited

# DIRECTORS' REPORT

**The Directors present their annual report on the affairs of LGPS Central Limited, together with the financial statements and auditor's report, for the year ended 31 March 2022.**

### FINANCIAL PERFORMANCE

The Company's financial performance for the year was a net loss before tax of £675,000 (2020/21: profit of £975,000). Income of £12.7 million was receivable during the year (2020/21: £11.9 million), whilst operating expenditure stood at £13.0 million (2020/21: £10.6 million). Net assets at the year-end stood at £6.8 million, up from £6.3 million as of 31 March 2021. These numbers are broadly consistent with our Business Plan for 2021/22.

### FUTURE DEVELOPMENTS

Details of future developments can be found in the Strategic Report from the Chief Executive Offer on pages 5 to 7.

### GOING CONCERN

The report and accounts have been prepared on the going concern basis. Details of the considerations that the Company has taken into account in determining that the Company should be accounted for on the going concern basis are set out in note 2 to the financial statements.

### EVENTS AFTER THE BALANCE SHEET DATE

Details of significant events since the balance sheet date are contained in the Strategic Report from the Chief Executive Officer on pages 5 to 7 and in note 19 to the financial statements.

### EXISTENCE OF BRANCHES OUTSIDE THE UK

The Company has no branches, as defined in section 1046(3) of the Companies Act 2006, outside the UK.

### FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The nature of the shareholder structure and the client relationship mitigates much of the Company's financial risk exposure. The Company does not use derivative financial instruments.

### CASH FLOW RISK

The Company's activities expose it primarily to the financial risks of delayed or disputed trade receivables. However, this is mitigated by the joint and several obligations of Shareholders to bear the costs of the Company.

### CREDIT RISK

The Company's principal financial assets are bank balances, trade receivables, and other receivables.

The Company's credit risk against its trade receivables is minimal as at 31 March 2022 as the only trade receivables were income due from Partner Funds, and therefore Government-backed.

The credit risk on liquid funds is limited because the counterparty at the year-end is a UK bank and a small number of Money Market Funds (MMFs) with high credit-ratings assigned by international credit-rating agencies.

### LIQUIDITY RISK

To maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company uses a mixture of long-term capital and medium-term debt finance.

Further details regarding liquidity risk can be found in the Statement of accounting policies in the financial statements.

### DIVIDENDS

The Directors do not recommend a final dividend in relation to the year 2021/22 (2020/21: nil).

### DIRECTORS

The Directors, who served throughout the year and up to the date of signing except as noted, were as follows:

| NAME | POSITION | DATE OF APPOINTMENT |
|---|---|---|
| Joanne Segars | Chair, Non-Executive Director | 1st May 2017 |
| Mike Weston | Director and Chief Executive Officer | 7th March 2019 |
| Eithne McManus | Non-Executive Director | 11th August 2017 |
| John Nestor | Non-Executive Director | 11th August 2017 |
| John Burns | Director and Deputy Chief Executive Officer | 21st September 2017 |
| Susan Martin | Non-Executive Director | 3rd February 2020 |

### POLITICAL CONTRIBUTIONS

No political donations were made during the year (2020/21: nil).

### ENGAGEMENT

The company's engagement during the year with customers, suppliers and other relevant parties is set out in Section 10.0 (Section 172 Statement).

### AUDITOR

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

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company'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.

A resolution to reappoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting.

Approved by the Board and signed on its behalf by:

**MIKE WESTON,**
**CHIEF EXECUTIVE OFFICER,**
**LGPS CENTRAL LIMITED**

3 August 2022

First Floor
i9, Wolverhampton Interchange
Wolverhampton WV1 1LD

## QUICK NAVIGATION



LGPS Central Limited

# DIRECTORS' RESPONSIBILITIES STATEMENT

**The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.**

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the financial statements in accordance with United Kingdom adopted international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

QUICK NAVIGATION



LGPS Central Limited

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LGPS CENTRAL LIMITED

## Report on the audit of the financial statements

### OPINION
In our opinion the financial statements of LGPS Central Limited (the 'company'):
- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:
- the Statement of Profit or Loss and Other Comprehensive Income;
- the Statement of Financial Position;
- the Statement of Total Changes in Equity;
- the Statement of Cash Flows; and
- the related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and IFRSs as issued by the IASB.

### BASIS FOR OPINION
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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
In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due





LGPS Central Limited

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LGPS CENTRAL LIMITED CONTINUED

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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

## EXTENT TO WHICH 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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Company's industry and its control environment, and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks Company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty. These included the regulation set by the Financial Conduct Authority and regulatory capital requirements.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address them are described below:

- Revenue recognition: We obtained an understanding of the process and relevant controls around revenue recognition, we reviewed the amendments made to the cost sharing model and the documentation supporting the effective date of change to assess the appropriateness of the changes made to the model, we tested management fee revenue through developing an independent expectation of the revenue recorded, we independently verified the assets under management by inspection of investment valuations statements and custodian reports, and we substantively tested management fee revenue by agreeing details to source documentation on a sample basis and focused on any changes to pricing schedules to ensure agreed management fee percentages had been updated for and applied accurately.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### 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.

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

### MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

## USE OF OUR REPORT

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

**Andrew Partridge CA (Senior statutory auditor)**
*For and on behalf of Deloitte LLP*
*Statutory Auditor*
*Glasgow, United Kingdom*
*3 August 2022*

# FINANCIAL STATEMENTS for the Year Ending 31 March 2022

### STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2022

| | Notes | 2022 £000 | 2021 £000 |
|---|---|---|---|
| **Revenue** | 5 | | |
| - Operating Income | | 12,695 | 11,861 |
| **Total Revenue** | | **12,695** | **11,861** |
| **Expenses** | 6 | | |
| - Staff Costs | | (7,093) | (5,652) |
| - Other Operating Expenses | | (5,889) | (4,950) |
| **Total Expenses** | | **(12,982)** | **(10,602)** |
| Operating (Loss)/Profit | | (287) | 1,259 |
| Interest Receivable | | 18 | 15 |
| Interest Payable | 12, 13 | (406) | (299) |
| (Loss)/Profit Before Taxation | | (675) | 975 |
| Taxation | 7 | - | - |
| (Loss)/Profit for the Year | | (675) | 975 |
| **Other Comprehensive Income** | | | |
| Net Actuarial Gain / (Loss) on Defined Benefit Schemes | 14 | 1,258 | (1,495) |
| Total Comprehensive Income for the Year | | 583 | (520) |

The net actuarial gain/(loss) reported under other comprehensive income will not be reclassified to profit and loss in a future period. There is no tax relating to other comprehensive income.

### STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2022

| | Notes | 31 March 2022 £000 | 31 March 2021 £000 |
|---|---|---|---|
| Assets | | | |
| **Non-Current Assets** | | | |
| Right-of-Use Assets | 8 | 1,237 | 25 |
| Property, Plant and Equipment | 8 | 253 | - |
| **Total Non-Current Assets** | | **1,490** | **25** |
| **Current Assets** | | | |
| Trade and other receivables | 9 | 9,800 | 2,936 |
| Cash and cash equivalents | 10 | 38,489 | 15,265 |
| **Total Current Assets** | | **48,289** | **18,201** |
| Total Assets | | 49,779 | 18,226 |
| Liabilities | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 11 | (32,269) | (2,483) |
| Borrowing | 12, 13 | (242) | (236) |
| Other financial liabilities | 15 | (140) | (111) |
| **Total Current Liabilities** | | **(32,651)** | **(2,830)** |
| **Non-Current Liabilities** | | | |
| Borrowing | 12, 13 | (6,198) | (4,810) |
| Other financial liabilities | 15 | (685) | (685) |
| Post-employment benefits | 14 | (3,404) | (3,643) |
| **Total Non-Current Liabilities** | | **(10,287)** | **(9,138)** |
| Total Liabilities | | (42,938) | (11,968) |
| Net Assets | | 6,841 | 6,258 |
| Capital and Reserves | | | |
| Called-up share capital | 15 | 10,520 | 10,520 |
| Retained losses | | (3,679) | (4,262) |
| Total Capital and Reserves | | 6,841 | 6,258 |

The financial statements on pages 38 to 71 were approved by the Board of Directors and authorised for issue on 3 August 2022 and were signed on their behalf by:
**John Burns, Director, Company Registration Number 10425159**





LGPS Central Limited

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 CONTINUED

## STATEMENT OF TOTAL CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2022

| | Share Capital £000 | Profit and Loss Reserve £000 | Total £000 |
|---|---|---|---|
| Balance at 1 April 2021 | 10,520 | (4,262) | 6,258 |
| Profit for the year | - | (675) | (675) |
| **Other Comprehensive Income** | | | |
| Net Actuarial Gain on Defined Benefit Schemes | - | 1,258 | 1,258 |
| **Total Other Comprehensive Income** | **-** | **1,258** | **1,258** |
| Balance at 31 March 2022 | 10,520 | (3,679) | 6,841 |

| | Share Capital £000 | Profit and Loss Reserve £000 | Total £000 |
|---|---|---|---|
| Balance at 1 April 2020 | 10,520 | (3,742) | 6,778 |
| Profit for the year | - | 975 | 975 |
| **Other Comprehensive Income** | | | |
| Net Actuarial Loss on Defined Benefit Schemes | - | (1,495) | (1,495) |
| **Total Other Comprehensive Income** | **-** | **(1,495)** | **(1,495)** |
| Balance at 31 March 2021 | 10,520 | (4,262) | 6,258 |

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2022

| | Notes | 2022 £000 | 2021 £000 |
|---|---|---|---|
| **Net Cash Flows used in Operating Activities** | 16 | **23,553** | **2,277** |
| **Net Cash Flows from Investing Activities** | | | |
| Purchase of Property, Plant and Equipment | | (293) | - |
| **Total Net Cash Flows Used in Investing Activities** | | **(293)** | **-** |
| **Net Cash Flows used in Financing Activities** | | | |
| Contractual Amounts Payable for Leases Recognised under IFRS 16 | | (36) | (89) |
| **Total Net Cash Flows used in Financing Activities** | | **(36)** | **(89)** |
| Net Increase in Cash and Cash Equivalents | | 23,224 | 2,188 |
| Cash and Cash Equivalents at the Beginning of the Year | | 15,265 | 13,077 |
| Cash and Cash Equivalents at the End of the Year | | 38,489 | 15,265 |

# NOTES TO THE FINANCIAL STATEMENTS for the Year Ended 31 March 2022

## 1. COMPANY INFORMATION

LGPS Central Limited is a private Company limited by shares and incorporated in the United Kingdom under the Companies Act 2006 and is registered in England. Its registered office is First Floor, i9, Wolverhampton Interchange, Wolverhampton, WV1 1LD.

The nature of the Company's operations and its principal activities are set out in the Strategic Report from the Chief Executive Officer on pages 5 to 7.

## 2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with United Kingdom adopted international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). In adopting IFRS, LGPS Central Limited is consistent with its Partner Funds.

The financial statements have been prepared on the historical cost basis. The significant accounting policies adopted by the Company are set out in Note 4.

### BASIS OF CONSOLIDATION

LGPS Central Limited has control over the assets held by LGPS Central ACS. However, since these are held on behalf of investors, and LGPS Central Limited has no right to the economic benefits arising from these assets, the assets, and the investment income and costs associated with them, have not been consolidated into the Company's accounts.

Similarly, LGPS Central Limited has control over the assets held by LGPS Central GP LLP (registered address: 50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ), and in turn the underlying Limited Partnerships in which that LLP is a partner, which were set up to manage alternative investments through partnerships. However, since these are held on behalf of investors, and LGPS Central Limited has no right to the economic benefits arising from these assets, the assets, and the investment income and costs associated with them, have not been consolidated into the Company's accounts.

The Company is also the sole owner of a subsidiary entity, LGPS Central LP (Feeder) Limited (registered address: i9, Wolverhampton Interchange, Wolverhampton, WV1 1LD), which was established for the same purpose of managing alternative investments. However, this entity had no assets, liabilities, income or expenditure during the financial year and therefore has not been consolidated into the Company's accounts.

There are no other entities whose relationship with LGPS Central Limited would require consolidation with the Company's accounts.

### GOING CONCERN

After reviewing the group's forecasts and projections, including review of regulatory requirements and consideration of stress scenarios, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of approval. The Company is forecast to have sufficient cash balances over the medium term. The Company's charging model, being built on a cost-plus basis with charging in arrears provides for a stable income stream. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

During 2021/22, the effects of the Covid-19 global health pandemic continued to be felt, although to a decreasing extent, and much less so than in the previous financial year.

To the extent that Covid-19 issues impacted on the valuations of funds managed by LGPS Central Limited, due to the nature of the Company's revenue model, this has not impacted on the Company's revenues, nor is it expected to do so in the future. Fluctuations in market values does not therefore affect the Company's use of the going concern assumption.

The Company was able to adapt its operations effectively at the beginning of the Covid-19 pandemic, in March 2020, and some of those adaptations, for example hybrid working and remote meetings, have now become 'business as usual'.

In light of the above, the Directors believe that the Company has responded and adapted effectively to the operational impact of the Covid-19 pandemic and could continue to operate as it currently is for the foreseeable future, and that therefore this does not affect the use of the going concern assumption.

### NEW AND REVISED IFRS STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRS standards that have been issued but are not yet effective.

- IFRS 17 (including the June 2020 Amendments to IFRS 17) – Insurance Contracts
- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-Current
- Amendments to IFRS 3 – Reference to the Conceptual Framework
- Amendments to IAS 16 – Property, Plant and Equipment – Proceeds before Intended Use
- Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract
- Annual Improvements to IFRS Standards 2018-2020 Cycle – Amendments to IFRS 1 First-Time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases and IAS 41 Agriculture
- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies
- Amendments to IAS 8 – Definition of Accounting Estimates
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Company in future periods.

LGPS Central Limited

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 CONTINUED

## 3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Company's accounting policies, which are described in Note 4, the Directors are required to make judgements that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. There are no critical judgements.

### PENSIONS LIABILITY

There is a source of estimation uncertainty in respect of the pensions liability: estimates of the net pension obligation 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. Because these judgements cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. Further detail about the potential impact of these assumptions is included in Note 14 (Pension Benefits).

## 4. PRINCIPAL ACCOUNTING POLICIES

### REVENUE

Revenue from the sale of services is recognised in the period in which services are delivered, provided that the amount of revenue can be measured reliably, that there is an underlying contract or other agreement, with commercial substance and identified payment terms, and it being considered probable that the Company will receive the consideration due, in accordance with IFRS 15.

The Company's principal source of revenue is its Partner Funds. The Company and the Partner Funds have entered into a Cost-Sharing Agreement, which provides a commitment by the Partner Funds to meet the Company's costs (subject to the annual budgetary approval process) and sets out how those costs will be shared between the Partner Funds. This is supplemented by the Pricing Schedule, which sets out the exact prices which apply to each product or service line at a particular time, and which is subject to quarterly review to reflect changes in costs, the make-up of products and services and the value of assets under management during the course of the financial year.

### FOREIGN CURRENCY

The Company's functional and presentational currency is sterling (GBP). Transactions entered into by the Company in a currency other than sterling are recorded at the rates ruling when those transactions occurred. Monetary assets and liabilities are translated at the prevailing exchange rate on the Balance Sheet date.

#### FINANCIAL INSTRUMENTS

The Company has classified its assets, in accordance with IFRS 9, as set out in the following paragraphs.

### FINANCIAL ASSETS

LGPS Central Limited classifies its financial assets as set out below, based on the purpose for which the asset was acquired.

#### TRADE RECEIVABLES

Trade receivables are classified as financial assets at amortised cost and are initially recognised at transaction price. They are subsequently measured at their amortised cost using the effective interest method, less any allowance for credit losses (the simplified approach has been adopted).

#### CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and in hand and other highly-liquid short-term deposits held by the Company with maturities of less than three months. Bank overdrafts, where applicable, are presented within loans and borrowings in current liabilities.

### FINANCIAL LIABILITIES

LGPS Central Limited classifies its financial liabilities as set out below, based on the purpose for which the liability was acquired.

#### TRADE PAYABLES

Trade payables are classified as financial liabilities at amortised cost and are accordingly recognised at fair value and subsequently measured at amortised cost.

#### BORROWINGS

Borrowings are classified as financial liabilities at amortised cost and are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the Statement of Financial Position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

#### PREFERENCE SHARES

Preference shares issued by the Company are classified as financial liabilities at amortised cost and are measured at amortised cost using the effective interest method. This classification is deemed appropriate because the Company has a contractual obligation to deliver cash to another entity in the form of preference dividends.

### SHARE CAPITAL

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's ordinary shares are classified as equity investments.

The Company manages both its ordinary and preference shares as capital. It is subject to the regulatory capital regime of the Investment Firms Prudential Regime (IFPR), and in accordance with that determines and monitors its regulatory capital requirement on an ongoing basis, including regular reporting both internally, to the ExCo and the ARCC, and externally, to the Financial Conduct Authority (FCA).

In addition to equity, the debt provided by the Partner Funds prior to the Company's launch is treated as capital for these purposes. There have been no changes in the level of capital from the previous financial year.
With effect from 1 January 2022, the Company was required to comply with the Internal Capital and Risk Assessment (ICARA), a new methodology for calculating its regulatory capital requirement. Apart





LGPS Central Limited

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 CONTINUED

from complying with its obligations under IFPR, the Company was not subject to any further externally-imposed capital requirements during 2021/22 or 2020/21.

### DEFINED CONTRIBUTION PENSION SCHEMES

Contributions to defined contribution pension schemes are charged to the Statement of Comprehensive Income in the year to which they relate.

### DEFINED BENEFIT PENSION SCHEMES

Defined benefit pension scheme surpluses and deficits are measured at:

- The fair value of plan assets at the reporting date; less:
- Plan liabilities calculated using the projected unit credit method discounted to its present value using yields available on high-quality corporate bonds that have maturity dates approximating to the terms of the liabilities and are denominated in the same currency as the post-employment benefit obligations; less:
- The effect of minimum funding requirements agreed with scheme trustees.

Re-measurements of the net defined benefit obligation are recognised directly within equity. The re-measurements include:

- Actuarial gains and losses;
- Return on plan interests (excluding interest); and
- Any asset ceiling effects (excluding interest).

Service costs are recognised in the Statement of Comprehensive Income and include current and past service costs as well as gains and losses on curtailments.

Net interest expense (or income) is recognised in the Statement of Comprehensive Income and is calculated by applying the discount rate used to measure the defined benefit obligation (or asset) at the beginning of the year to the balance of the net defined benefit obligation (or asset), considering the effects of contributions and benefit payments during the year.

Gains or losses arising from changes to scheme benefits or scheme curtailment are recognised immediately in the Statement of Comprehensive Income.

### DIVIDENDS

Dividends are recognised when they become legally payable. In the case of interim dividends to equity Shareholders, this is when declared by the Directors. In the case of final dividends, this is when approved by the Shareholders at the Annual General Meeting.

Dividends on the preference shares are recognised on an accruals basis when an obligation exists at the reporting date.

### TAXATION

The Company incurs irrecoverable Value-Added Tax (VAT) on some of its expenses, which is shown as an operating cost in the Statement of Comprehensive Income. The actual amount of irrecoverable VAT incurred is subject to an agreement with Her Majesty's Revenue and Customs (HMRC), and the amounts shown in the Statement of Comprehensive Income have been calculated in accordance with this agreement.

### LEASES

The Company has accounted for leases in accordance with IFRS 16. This has resulted in the recognition of right-of-use assets in respect of leased assets, and the recognition of corresponding lease liabilities. The assets are depreciated over the life of the lease, on a lease-by-lease basis. Amounts payable under leases are separated into interest expense, which is recognised in the Statement of Comprehensive Income, and the amount by which the balance of the lease is reduced. Assets have not been recognised where they would be low value.

Further details of the right-of-use assets can be found at Note 8, and details of the lease liabilities can be found at Note 13.

In calculating the net present value of the Company's future obligations under lease agreements, the Company has applied a discount rate equal to the rate of interest payable on the loans provided by its Partner Funds.

### PROPERTY, PLANT AND EQUIPMENT

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged on a straight-line basis over the expected useful life of the asset. The depreciable amount of an asset is equal to the cost of the asset less estimated residual value. The expected useful life and residual values of assets are reviewed at least annually. The expected useful lives used for tangible fixed assets are as follows:

- Leaseholder improvements – 10 years
- Fixtures and fittings – 10 years
- Audio-visual equipment – 5 years
- Other IT hardware – 3 years

Right-of-use assets are depreciated over the life of the lease.

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# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 CONTINUED

## 5. REVENUE

The Company's principal source of income is fees payable by its Partner Funds. Income due for the year ended 31 March 2022 is analysed as follows.

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Investment Management and Monitoring | | |
| - Authorised Contractual Scheme | 2,915 | 2,134 |
| - Limited Partnership | 467 | 206 |
| - Discretionary | 21 | 17 |
| - Advisory and Advisory-with-Execution | 363 | 635 |
| - Execution-Only | 8 | 7 |
| - Product Development | 1,162 | 1,577 |
| Governance | 1,754 | 1,848 |
| Operator Running Costs | 5,935 | 5,428 |
| Other Recharges | 70 | 9 |
| **Total** | **12,695** | **11,861** |

All of the Company's income streams are linked to a particular time period, meaning that benefits are received and consumed simultaneously by its customers, which in turn means that there are no income streams for which performance obligations are partially complete. Furthermore, invoices are only issued after the end of the time period to which they relate and the Company therefore has an unconditional right to such income. In light of these factors, the Company has not identified any contract assets or contract liabilities.

During the 2021/22 year, the Company reduced the level of mark-up applied in its cost-sharing model, the mechanism by which its operating costs are met by and shared amongst the Partner Funds. In summary, the changes were:

- a reduction of the level of mark-up on ACS sub-funds;
- the removal of mark-up on alternatives partnerships; and
- a reduction of the level of mark-up on the operator and governance cost categories to a variable percentage based on the weighted average mark-up across investment services.

## 6. EXPENSES

The Company's expenses for the year ended 31 March 2022 are analysed as follows:

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Staff costs | | |
| - Salaries | 4,547 | 4,275 |
| - Social Security Contributions | 598 | 517 |
| - Pension Contributions | 1,515 | 814 |
| Audit fees (financial statements) | 32 | 24 |
| Non-audit fees – CASS | 10 | 10 |
| Non-audit fees – AAF reporting | 72 | 68 |
| Irrecoverable VAT | 66 | 36 |
| Depreciation | 189 | 85 |
| Other Administrative Expenses | 5,953 | 4,773 |
| **Total** | **12,982** | **10,602** |

Employees of LGPS Central Limited are members of one of two pension schemes: the Local Government Pension Scheme (LGPS), administered by West Midlands Pension Fund, and a Defined Contribution (DC) scheme operated by Aviva. Further details about the pension schemes can be found in Note 14.

The number of employees increased from 70 at the beginning of the year to 74 at 31 March 2022 (2020/21: 62 to 70). The average number of employees over the course of the 2021/22 year was 70 (2020/21: 64). The following table provides a breakdown of the number of employees.

| | 31 March 2021 | 31 March 2022 | Average 2021/22 | Average 2020/21 |
|---|---|---|---|---|
| Board | 6 | 6 | 6 | 6 |
| Investments | 30 | 36 | 35 | 26 |
| Support Services | 34 | 32 | 29 | 32 |
| **Total** | **70** | **74** | **70** | **64** |

No other fees were payable to the external auditor other than for the audit of the financial statements AAF, review and CASS requirements.

Details of Directors' remuneration are included in Note 18.





LGPS Central Limited

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 CONTINUED

## 7. TAXATION

Since the Company brought forward cumulative losses in the form of pre-trading expenditure during 2017/18, which more than offset the net profits for 2018/19, 2019/20, 2020/21 and 2021/22, no corporation tax was payable for any of these years.

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Current tax: | - | - |
| Total current tax | - | - |
| Deferred tax: | - | - |
| Total deferred tax | - | - |

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Profit before tax | (675) | 975 |
| Profit multiplied by standard rate of corporation tax in the UK of 19% (2020/21: 19%) | (128) | 185 |
| Effect of pre-trading expenses used to reduce taxable profit for the year | 128 | (185) |
| Tax expense for the year | - | - |

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Brought forward tax (losses) | (326) | (1,748) |
| Taxable profit for the year | 126 | 1,422 |
| Carried forward tax (losses) | (200) | (326) |

The standard rate of corporation tax applied to reported profits is 19% (2020/21: 19%).

At Budget 2020, the government announced that the Corporation Tax main rate (for all profits except ring fence profits) for the years starting 1 April 2020 and 2021 would remain at 19%.

At Spring Budget 2021, the government announced an increase in the Corporation Tax main rate from 19% to 25% for companies with profits over £250,000 together with the introduction of a small profits rate of 19% with effect from 1 April 2023. The small profits rate will apply to companies with profits of not more than £50,000, with marginal relief available for profits up to £250,000.

There are no time limits on the unused tax losses.



LGPS Central Limited

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 CONTINUED

## 8. PROPERTY, PLANT AND EQUIPMENT

In addition to capitalised expenditure of £293,000 incurred during 2021/22 (2020/21: nil), the Company has recognised assets arising from leases under IFRS 16 (details of commitments under those leases are provided in Note 13). These assets are depreciated on a straight-line basis over the life of the lease contract (the useful life of the asset being at least as long as the life of the lease in each case). There was no impairment of assets during 2021/22 or 2020/21.

| | Premises £000 | IT Equipment £000 | Total £000 |
|---|---|---|---|
| **Cost** | | | |
| Balance at 1 April 2021 | 207 | 108 | 315 |
| Additions | 1,361 | 293 | 1,654 |
| **Balance at 31 March 2022** | **1,568** | **401** | **1,969** |
| **Accumulated Depreciation** | | | |
| Balance at 1 April 2021 | (182) | (108) | (290) |
| Depreciation | (149) | (40) | (189) |
| **Balance at 31 March 2022** | **(331)** | **(148)** | **(479)** |
| **Net Book Value** | | | |
| Balance at 1 April 2021 | 25 | - | 25 |
| Additions | 1,361 | 293 | 1,654 |
| Depreciation | (149) | (40) | (189) |
| Balance at 31 March 2022 | 1,237 | 253 | 1,490 |

| | Premises £000 | IT Equipment £000 | Total £000 |
|---|---|---|---|
| **Cost** | | | |
| Balance at 1 April 2020 | 207 | 108 | 315 |
| Additions | - | - | - |
| **Balance at 31 March 2021** | **207** | **108** | **315** |
| **Accumulated Depreciation** | | | |
| Balance at 1 April 2020 | (122) | (83) | (205) |
| Depreciation | (60) | (25) | (85) |
| **Balance at 31 March 2021** | **(182)** | **(108)** | **(290)** |
| **Net Book Value** | | | |
| Balance at 1 April 2020 | 85 | 25 | 110 |
| Additions | - | - | - |
| Depreciation | (60) | (25) | (85) |
| Balance at 31 March 2021 | 25 | - | 25 |

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LGPS Central Limited

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 CONTINUED

## 9. TRADE AND OTHER RECEIVABLES

| | 31 March 2022 £000 | 31 March 2021 £000 |
|---|---|---|
| Trade Debtors | 9,475 | 2,715 |
| Prepayments | 325 | 221 |
| Total | 9,800 | 2,936 |

The trade debtors above all fall due within one year. The Company has not experienced any credit losses to date and all of its trade debtor balances relate to its Partner Funds; therefore, it is considered extremely unlikely that a credit loss would arise and accordingly no allowance for credit losses has been made with regard to trade debtors.

## 10. CASH AT BANK

| | 31 March 2022 £000 | 31 March 2021 £000 |
|---|---|---|
| Cash at Bank | 38,489 | 15,265 |
| Total | 38,489 | 15,265 |

Cash at Bank includes £29m in the LGPS Central Dealing Account, being funds received for a Partner Fund subscription to the ACS that was in progress at 31 March 2022 (31 March 2021: nil). This is matched by a trade creditor of £29m, representing the obligation to transfer those funds to the ACS.

## 11. TRADE AND OTHER PAYABLES

| | 31 March 2022 £000 | 31 March 2021 £000 |
|---|---|---|
| Trade Creditors | 30,974 | 2,031 |
| Social Security Contributions | 70 | 71 |
| VAT | 1,225 | 381 |
| Total | 32,269 | 2,483 |

The amounts above are all due within one year. Trade creditors includes £29m at 31 March 2022 in respect of an ACS subscription (see note 10 for details) (31 March 2021: nil).

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 CONTINUED

## 12. BORROWING

| | 31 March 2022 £000 | 31 March 2021 £000 |
|---|---|---|
| Loans | 4,795 | 4,795 |
| Accrued Interest Payable on Borrowing | 227 | 222 |
| **Sub Total Loans** | **5,022** | **5,017** |
| Finance Leases | 1,418 | 29 |
| **Total** | **6,440** | **5,046** |

In January 2018, the Company entered into loan agreements with seven of its Partner Funds amounting to £4.795 million. These loans, all of which were entered into on identical terms, have a life of ten years and initially bore interest of LIBOR plus 4.5% per year, with the first payment being due on 31 March 2019 and payments annually thereafter. On 1 January 2022, the interest rate was updated to the Bank of England Base rate plus 4.5% per year.

Interest of £225,000 has been accrued in respect of the 2021/22 year (2020/21: £222,000). Interest Payable included in the Statement of Profit or Loss and Other Comprehensive Income is analysed as follows:

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Interest Payable on Borrowing | 225 | 222 |
| Interest Payable on Finance Leases | 65 | 6 |
| Net Interest Payable on Net Defined Benefit Liabilities | 84 | 39 |
| Preference Dividends Payable | 32 | 32 |
| **Total** | **406** | **299** |

Interest relating to balances held at amortised cost for 2021/22 was £322,000 (2020/21: £260,000). Interest relating to balances held at fair value was £84,000 (2020/21: £39,000).

## 13. LEASES AND LEASE COMMITMENTS

The following table summarises LGPS Central Limited's payments under leases during 2021/22, and the year-end balance. The total amount payable under leases for 2021/22 was £36,000 (2020/21: £89,000).

| | Premises £000 | IT Equipment £000 | Total £000 |
|---|---|---|---|
| Balance at 1 April 2021 | 29 | - | 29 |
| Additions | 1,360 | - | 1,360 |
| Interest Payable | 65 | - | 65 |
| Amounts Payable under Leases | (36) | - | (36) |
| **Balance at 31 March 2022** | **1,418** | **-** | **1,418** |

The Company has another lease agreement, relating to IT equipment, which it has deemed to be low value and has therefore not included in the table above. The total amount payable under this lease for 2021/22 was £1,000 (2020/21: £1,000).

As a practical expedient, LGPS Central Limited has elected, by class of underlying asset, not to separate non-lease components (service charges payable for the Company's Wolverhampton office) from lease components, and instead account for each lease component and any associated non-lease components as a single lease component in accordance with IFRS 16.

The following table analyses the year-end balances by the lease maturity date.

| | 31 March 2022 £000 | 31 March 2021 £000 |
|---|---|---|
| Within One Year | 15 | - |
| Between One and Five Years | - | 29 |
| More Than Five Years | 1,403 | - |
| **Net Total** | **1,418** | **29** |



LGPS Central Limited

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 CONTINUED

## 14. PENSION BENEFITS

### DEFINED BENEFIT PENSION SCHEME

LGPS Central Limited is an employer member of West Midlands Pension Fund, a fund of the Local Government Pension Scheme (LGPS). The LGPS is a defined benefit scheme for employees of local authorities and other related organisations. Benefits are defined by statute and are based on the length of membership and final salary (until March 2014) and on revalued career average salary (from April 2014).

Employees make contributions according to a tiered structure which ranges from 5.5% to 12.5% of pensionable pay, and in addition LGPS Central Limited makes a contribution of 18.8% of pensionable pay (2020/21: 18.8%).

Some of the Company's employees were members of the LGPS before joining the Company and transferred their membership on a continuing service basis. At the time of their joining the Company, LGPS Central Limited was allocated notional shares of the Fund assets equal to 100% of the value of the associated liabilities. As such, the Company's pension liabilities were fully funded at the date of transfer.

LGPS Central Limited was subject to its full actuarial valuation during 2019/20. Following this valuation, employer contributions fell to 18.8% for 2020/21 and beyond (including the twelve-month period following the accounting date). The next full actuarial valuation will take place during 2022/23, with any changes to contribution rates expected to take effect from April 2023. There are no other funding arrangements or funding policy that will affect future contributions.

The LGPS is accounted for as a defined benefit scheme. The liabilities of the fund attributable to LGPS Central Limited are included in the Statement of Financial Position on an actuarial basis using the projected unit method – that is, an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, and projections of earnings for current employees.

As at 31 March 2022, the net pensions liability was £3.4 million (31 March 2021: £3.6 million). The following table sets out the movements in the net liability during 2021/22.

| | Assets £000 | Liabilities £000 | Net £000 |
|---|---|---|---|
| Balance as at 1 April 2021 | 3,207 | (6,850) | (3,643) |
| **Amounts recognised in Profit and Loss** | | | |
| Current service cost | - | (1,347) | (1,347) |
| Past service cost | - | - | - |
| Contributions by employer | 412 | - | 412 |
| Contributions by employees | 177 | (177) | - |
| Benefits paid net of transfers in | (18) | 18 | - |
| Administration expenses | - | - | - |
| Interest on assets | 72 | - | 72 |
| Interest cost | - | (156) | (156) |
| Total amounts recognised in Profit and Loss | 643 | (1,662) | (1,019) |
| **Amounts recognised in Other Comprehensive Income** | | | |
| Return on assets less interest | 232 | - | 232 |
| Change in financial assumptions | - | 992 | 992 |
| Change in demographic assumptions | - | 45 | 45 |
| Other actuarial gains/(losses) | - | - | - |
| Experience (loss)/gain on liability | - | (11) | (11) |
| Total amounts recognised in Other Comprehensive Income | 232 | 1,026 | 1,258 |
| Balance as at 31 March 2022 | 4,082 | (7,486) | (3,404) |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 CONTINUED

As at 31 March 2021, the net pensions liability was £3.6 million (31 March 2020: £1.8 million). The following table sets out the movements in the net liability during 2020/21.

| | Assets £000 | Liabilities £000 | Net £000 |
|---|---|---|---|
| Balance as at 1 April 2020 | 2,250 | (4,055) | (1,805) |
| **Amounts recognised in Profit and Loss** | | | |
| Current service cost | - | (658) | (658) |
| Past service cost | - | - | - |
| Contributions by employer | 356 | - | 356 |
| Contributions by employees | 148 | (148) | - |
| Benefits paid net of transfers in | (24) | 24 | - |
| Administration expenses | (2) | - | (2) |
| Interest on assets | 58 | - | 58 |
| Interest cost | - | (97) | (97) |
| Total amounts recognised in Profit and Loss | 536 | (879) | (343) |
| **Amounts recognised in Other Comprehensive Income** | | | |
| Return on assets less interest | 421 | - | 421 |
| Change in financial assumptions | - | (1,995) | (1,995) |
| Change in demographic assumptions | - | 44 | 44 |
| Other actuarial gains/(losses) | - | - | - |
| Experience (loss)/gain on liability | - | 35 | 35 |
| Total amounts recognised in Other Comprehensive Income | 421 | (1,916) | (1,495) |
| Balance as at 31 March 2021 | 3,207 | (6,850) | (3,643) |

The amount included in the Balance Sheet arising from the Company's obligations in respect of its defined benefit retirement schemes is as follows:

| | 31 March 2022 £000 | 31 March 2021 £000 |
|---|---|---|
| Present Value of Defined Benefit Obligations | (7,486) | (6,850) |
| Fair Value of Plan Assets | 4,082 | 3,207 |
| | (3,404) | (3,643) |
| Funded Status | - | - |
| Restrictions on Asset Derecognised | - | - |
| Net Liability Arising from Defined Benefit Obligation | (3,404) | (3,643) |

The major categories and fair values of plan assets at the end of the reporting period for each category are as follows:

| Asset Class | 31 March 2022 £000 | 31 March 2022 % | 31 March 2021 £000 | 31 March 2021 % |
|---|---|---|---|---|
| Equities | 2,201 | 54% | 1,889 | 59% |
| Gilts | 253 | 6% | 319 | 10% |
| Other Bonds | 664 | 16% | 123 | 4% |
| Property | 293 | 7% | 232 | 7% |
| Cash | 160 | 4% | 192 | 6% |
| Other | 511 | 13% | 452 | 14% |
| Total | 4,082 | 100% | 3,207 | 100% |

LGPS Central Limited

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 CONTINUED

Almost all equity and debt instruments have quoted prices in active markets. The plan's investments in quoted equities, quoted fixed securities, index-linked securities and unit trusts are classified as level 1 instruments. Level 2 instruments are those for which quoted market prices are not available, and valuation techniques based on observable market data are used. Level 3 instruments, which include private equity, are valued using valuation techniques that require significant judgement in determining appropriate assumptions.

The following table sets out the proportion of assets which have a quoted market price, and those which do not (based on 31 March 2022 / 31 December 2020 valuations):

| | | Mar 2022 Quoted % | Mar 2022 Unquoted % | Dec 2020 Quoted % | Dec 2020 Unquoted % |
|---|---|---|---|---|---|
| **Equities** | All | 13.4% | 40.7% | 25.0% | 26.3% |
| **Debt Securities** | Corporate Bonds | | 5.8% | | 3.8% |
| | UK Government | | 6.2% | 7.4% | 1.7% |
| | Other | 1.7% | 8.7% | | 7.9% |
| **Property** | UK Property | | 7.2% | 7.2% | |
| **Investment Funds and Unit Trusts** | Infrastructure | | 4.0% | 0.1% | 4.1% |
| | Other | | 1.7% | - | - |
| **Derivatives** | Foreign Exchange | | 0.0% | | 0.0% |
| | Other | | 0.0% | 1.9% | |
| **Other** | Absolute Returns | | | - | 1.9% |
| | Private Equity | | 6.7% | - | 6.7% |
| **Cash and Cash Equivalents** | Cash/Temporary Investments | | 3.9% | - | 5.3% |
| **Net Current Assets** | Debtors | - | | - | 0.7% |
| | Creditors | - | | - | -0.1% |
| | Other Long-Term Assets | - | | - | 0.1% |
| **Total** | | 15.1% | 84.9% | 41.6% | 58.4% |

The scheme exposes LGPS Central Limited to a number of risks, including the following:

- **Investment risk** – the present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high-quality corporate bond yields; if the return on plan assets is below this rate, it will create a plan deficit. Currently, the plan has well-diversified investments in equity securities, fixed income and a range of alternative assets. Due to the long-term nature of the plan liabilities, the trustees of the pension fund consider it appropriate that a reasonable portion of the plan assets should be invested in equity securities and other return-seeking investments in order to leverage the return generated by the fund.
- **Interest risk** – a decrease in the bond interest rate will increase the plan liability but this will be partially offset by an increase in the return on the plan's fixed income investments.
- **Longevity risk** – the present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
- **Salary risk** – the present value of the defined benefit plan 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.
- **Last man standing' risk** – as many unrelated employers participate in West Midlands Pension Fund, there is an orphan liability risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.
- **Inflation risk** – the benefits payable under the Scheme are linked to inflation, and therefore there is a risk that deficits may emerge to the extent that assets are not linked to inflation.

The Company has entered into an agreement regarding LGPS matters with its Partner Funds known as the 'Supplementary Agreement'. The Supplementary Agreement, amongst other matters, includes an undertaking from each Partner Fund to pay to the Company its share of an amount equal to the employer contributions and expenses due from the Company to West Midlands Pension Fund (WMPF), and sets out the actions to be taken in the event that the Company is unable to pay any amount due to WMPF.

There are a number of assumptions to which the value of the net pensions liability is particularly sensitive, as set out below. To illustrate the impact of changes in these assumptions, each assumption is changed in isolation with all other assumptions unchanged. The resulting impact is the impact of that assumption on the calculation of the net pensions liability.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 CONTINUED

| | Assumption Used | Change in Assumption | Effect £000 |
|---|---|---|---|
| Discount Rate Decrease | 2.75% | + / - 0.1% | 216 |
| Life Expectancy (from age 65) Increase | Retiring today<br>Male: 23.6 yrs<br>Female: 25.1 yrs<br>Retiring in 20 years<br>Male: 25.1 yrs<br>Female: 26.8 yrs | + / - 1 year | 299 |
| Long-Term Salary Increases | 5.00% | + / - 0.1% | 49 |
| Pensions Increases | 3.15% | + / - 0.1% | 164 |

Other assumptions made by the Directors and used by the Scheme Actuary are as follows:

- Members will exchange half of their commutable pension for cash at retirement
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age
- The proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same

The principal demographic assumption is the longevity assumption (i.e., member life expectancy). For sensitivity purposes, it is estimated that a one-year increase in life expectancy would approximately increase the defined benefit obligation by around 3-5%. In practice, the actual cost of a one-year increase in life expectancy will depend on the structure of the revised assumption (i.e., if improvements to survival rates predominantly apply at younger or older ages).

In order to quantify the impact of a change in the financial assumptions used, the value of the scheme obligations at the accounting date on varying bases has been calculated and compared. The approach taken is consistent with that adopted to derive the valuate of the obligation in the financial statements, based on the profile (average member ages, retirement ages, etc.) of the company as at the date of the most recent actuarial valuation.

As at the date of the most recent actuarial valuation, the duration of the company's funded obligations is 31 years.

The projected amount to be charged to operating profit for the financial year ended 31 March 2023 is as follows:

| | Assets £000 | Liabilities £000 | Net Asset/(Liability) £000 | Net Asset/(Liability) % of Pay |
|---|---|---|---|---|
| Projected Current Service Cost * | - | 1,161 | (1,161) | (53.0%) |
| Past Service Cost Including Curtailments | - | - | - | - |
| Effect of Settlements | - | - | - | - |
| Total Service Cost | - | 1,161 | (1,161) | (53.0%) |
| Interest Income on Plan Assets | 120 | - | 120 | 5.5% |
| Interest Cost on Defined Benefit Obligations | - | 224 | (224) | (10.2%) |
| Total Net Interest Cost | 120 | 224 | (104) | (4.7%) |
| Total Included in Profit and Loss | 120 | 1,385 | (1,265) | (57.7%) |

* The current service cost includes an allowance for administration expenses of 0.5% of payroll. The monetary value is based on a projected payroll of £2,192,000.

## DEFINED CONTRIBUTION PENSION SCHEME

LGPS Central Limited also provides defined contribution (DC) pension benefits to some of its employees through a scheme administered by Aviva. LGPS Central Limited contributes 15% of pensionable pay, while the scheme is non-contributory for employees, although voluntary contributions may be made. The cost to the Company of employer contributions during the year have been recognised in full in the profit and loss account (2021/22: £164,000; 2020/21: £145,000).



LGPS Central Limited

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 CONTINUED

## 15. SHARE CAPITAL

| | 'A' Shares Ordinary £ | 'B' Shares Ordinary £ | Total £ |
|---|---|---|---|
| Balance as at 31 March 2020 | 8 | 10,520,000 | 10,520,008 |
| **Balance as at 31 March 2021** | **8** | **10,520,000** | **10,520,008** |
| Balance as at 31 March 2022 | 8 | 10,520,000 | 10,520,008 |

All shares have been authorised, issued and are fully paid.

'A' shares carry voting rights and dividend entitlements and are held in equal share by LGPS Central Limited's eight Partner Funds. There are eight 'A' shares, each with a par value of £1.

'B' shares are held in equal share by LGPS Central Limited's eight Partner Funds. There are 10,520,000 'B' shares, each with a par value of £1.

'C' shares are preference shares and are held by West Midlands Pension Fund only, paying a dividend of 4.5% above LIBOR per year until 31 December 2021 and 4.5% above the Bank of England base rate since 1 January 2022. The preference shares are classified in the Statement of Financial Position as other financial liabilities (and not share capital); the table below shows movements in these during the year. There are 685,000 'C' shares, each with a par value of £1.

Dividends of £143,000 in respect of the 'C' shares have been accrued for the period from 12 January 2018 (the date of receipt of the funds) to 31 March 2022 (comprising £32,000 in 2021/22, £32,000 in 2020/21, £36,000 in 2019/20, £36,000 in 2018/19 and £7,000 in 2017/18). No other dividends were payable for 2020/21 or 2021/22.

| | 'C' Shares Preference £ |
|---|---|
| Balance as at 31 March 2020 | 764,000 |
| Accrued dividends 2020/21 | 32,000 |
| **Balance as at 31 March 2021** | **796,000** |
| Accrued dividends 2021/22 | 32,000 |
| Balance as at 31 March 2022 | 828,000 |

## 16. RECONCILIATION OF NET CASH FROM OPERATING ACTIVITIES

| | 2022 £000 | 2021 £000 |
|---|---|---|
| (Loss)/Profit before Taxation | (675) | 975 |
| Movement in Trade and Other Receivables | (6,864) | 383 |
| Movement in Trade and Other Payables | 29,786 | 482 |
| Movement in Interest Payable | 33 | (86) |
| Net Defined Benefit Pensions Costs | 1,019 | 343 |
| Depreciation | 189 | 85 |
| Interest Payable for Leases Recognised under IFRS 16 | 65 | 6 |
| **Net Non-Cash Items** | **24,228** | **1,213** |
| Net Cash from Operating Activities | 23,553 | 2,188 |

## 17. CONTINGENT ASSETS, CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The Company has a contingent liability in respect of a claim submitted to the Employment Tribunal by a former employee. It has considered the claim and sought legal advice, and believes that the claim is without merit. The Company is defending the claim. No liability has been recognised because the Company believes that no out flow of economic resources will be required. The Company cannot at this stage provide an estimate of any potential liability.

LGPS Central Limited had no other contingent assets, contingent liabilities or capital commitments at the end of the year.



LGPS Central Limited

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 CONTINUED

## 18. RELATED PARTY TRANSACTIONS

LGPS Central Limited is a joint venture, owned in equal share by eight local authorities who are administering authorities of LGPS pension funds:

- Cheshire West and Chester Council
- Derbyshire County Council
- Leicestershire County Council
- Nottinghamshire County Council
- Shropshire Council
- Staffordshire County Council
- Wolverhampton City Council
- Worcestershire County Council

Those eight authorities are also LGPS Central Limited's investors (known as the 'Partner Funds'). They are therefore the source of all of the Company's revenue.

There is no controlling party.

The Company's Matlock office is rented from Derbyshire County Council. Wolverhampton City Council provide a number of services to the company, including the Wolverhampton office and associated running costs, IT infrastructure, payroll services and procurement support.

During 2017/18, the Partner Funds incurred setup costs on behalf of the Company, which were subsequently paid during 2018/19. This charge amounted to £4.014 million.

Seven of the eight local authorities listed above (excluding Wolverhampton City Council) have provided loan capital to LGPS Central Limited. The balance of principal outstanding at 31 March 2022 was £4.795 million, and accrued interest on these loans stood at £227,000 (31 March 2021: £222,000). At 31 March 2022, preference dividends of £143,000 (31 March 2021: £111,000) were accrued in respect of Wolverhampton City Council's holding of 'C' shares (see Note 15).

The following tables show the amounts receivable from and payable to each authority, as recognised in the Statement of Profit or Loss or the Statement of Financial Position as appropriate. In respect of debtors and creditors balances, these are unsecured and non-interest bearing. With the exception of accrued preference dividends payable to Wolverhampton City Council (see note 15), all of these amounts were or are expected to be settled within one year of the balance sheet date.

| Administering Authority | 2022 Income £000 | 2022 Expenditure £000 | 2021 Income £000 | 2021 Expenditure £000 |
|---|---|---|---|---|
| Cheshire West and Chester Council | 1,479 | (32) | 1,343 | (32) |
| Derbyshire County Council | 1,036 | (47) | 1,034 | (47) |
| Leicestershire County Council | 1,415 | (32) | 1,181 | (32) |
| Nottinghamshire County Council | 1,194 | (32) | 1,057 | (32) |
| Shropshire Council | 602 | (32) | 563 | (32) |
| Staffordshire County Council | 1,397 | (32) | 1,138 | (32) |
| Wolverhampton City Council | 4,734 | (422) | 4,818 | (497) |
| Worcestershire County Council | 768 | (32) | 718 | (32) |
| **Total** | **12,625** | **(661)** | **11,852** | **(736)** |

| Administering Authority | 2022 Debtor £000 | 2022 Creditor £000 | 2021 Debtor £000 | 2021 Creditor £000 |
|---|---|---|---|---|
| Cheshire West and Chester Council | 533 | (32) | 218 | (32) |
| Derbyshire County Council | 1,111 | (32) | 202 | (36) |
| Leicestershire County Council | 1,350 | (32) | 320 | (32) |
| Nottinghamshire County Council | 394 | (32) | 195 | (32) |
| Shropshire Council | 158 | (32) | 84 | (32) |
| Staffordshire County Council | 421 | (32) | 281 | (32) |
| Wolverhampton City Council | 4,704 | (225) | 1,148 | (254) |
| Worcestershire County Council | 178 | (32) | 131 | (32) |
| **Total** | **8,849** | **(449)** | **2,579** | **(482)** |





LGPS Central Limited

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 CONTINUED

LGPS Central Limited is authorised and regulated by the Financial Conduct Authority (the FCA) to operate as an Alternative Investment Fund Manager (AIFM). In this capacity the Company acts as the operator of a collective investment vehicle called an Authorised Contractual Scheme (ACS). Subscriptions and redemptions between the investing partner funds and the ACS are paid through a dealing account managed by LGPS Central Limited. At 31 March 2022, a balance of cash in transit of £29 million was held in the dealing account (31 March 2021: £10,800) and has been recognised as a related party balance payable to the ACS.

## KEY MANAGEMENT PERSONNEL

Key management personnel are defined as members of the Board or the Executive Committee. The total payments made to and on behalf of key management personnel during the year were £1.5 million (2020/21: £1.5 million). No bonuses were payable during the year (2020/21: nil). Termination payments of £313,000 were payable during the year (2020/21: nil).

The Directors' remuneration, analysed under the headings required by Company Law, is set out below.

| Remuneration | 2022 £000 | 2021 £000 |
|---|---|---|
| Emoluments | 706 | 686 |
| Employer's National Insurance Contributions | 90 | 87 |
| Amounts Receivable (other than shares and share options) under Long-Term Incentive Schemes | - | - |
| Company Contributions to Money Purchase Pension Schemes | - | - |
| Compensation for Loss of Office | - | - |
| Sums Paid to Third Parties in Respect of Directors' Services | - | - |
| Excess Retirement Benefits of Directors and Past Directors | - | - |
| Total | 796 | 773 |

| Number of Directors Who: | 2022 Number | 2021 Number |
|---|---|---|
| Are Members of a Defined Benefit Pension Scheme | - | - |
| Are Members of a Money Purchase Pension Scheme | - | - |
| Exercised Options over Shares in the Parent Company | - | - |
| Had Awards Receivable in the Form of Shares in the Parent Company under a Long-Term Incentive Scheme | - | - |

| Remuneration of the Highest-Paid Director | 2022 £000 | 2021 £000 |
|---|---|---|
| Emoluments | 289 | 281 |
| Employer's National Insurance Contributions | 39 | 38 |
| Company Contributions to Money Purchase Pension Schemes | - | - |
| Total | 328 | 319 |

The Company does not make share options available to any individuals, and shares are not available under any long-term incentive scheme. Accordingly, the highest paid director did not exercise any share options in the year and had no shares receivable under long-term incentive schemes.

The highest-paid director is not a member of the Company's defined benefit pension scheme.



LGPS Central Limited

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 CONTINUED

## 19. POST BALANCE SHEET EVENTS

No post balance sheet events have occurred which impact upon the balances and transactions reported for the year.

## 20. FINANCIAL INSTRUMENTS

LGPS Central Limited did not have any gains or losses arising from financial instruments during the year.

The only expenditure in relation to financial instruments was interest payable of £257,000 as analysed in Note 12 (excluding interest payable on leases and in relation to defined benefit pension liabilities) (2020/21: £254,000).

Balances as at the year-end are set out in the following table.

| | 31 March 2022 £000 | 31 March 2021 £000 |
|---|---|---|
| **Financial Assets** | | |
| *Financial Assets Measured at Amortised Cost* | | |
| - Trade Debtors | 9,800 | 2,936 |
| **Total Financial Assets** | **9,800** | **2,936** |
| **Financial Liabilities** | | |
| *Financial Liabilities Measured at Amortised Cost* | | |
| - Trade Creditors | (32,269) | (2,483) |
| - Borrowing | (6,440) | (5,046) |
| - Preference Shares | (825) | (796) |
| **Total Financial Liabilities** | **(39,534)** | **(8,325)** |
| **Net Total** | **(29,734)** | **(5,389)** |

### CLASSIFICATION OF ASSETS MEASURED AT AMORTISED COST

Trade debtors are amounts due from the Company's Partner Funds for investment management and monitoring services or under the Cost-Sharing Agreement. They are due for settlement within 30 days and are therefore classed as current. They are recognised at the amount of consideration due and, due to their short-term nature, their fair value is considered to be equal to their carrying amount. The Company holds trade debtors solely for the purpose of collecting contractual cash flows and therefore has classified them as measured at amortised cost.

### LIABILITIES MEASURED AT AMORTISED COST

All of the Company's financial liabilities are measured at amortised cost. Trade creditors are generally payable within 30 days and are therefore classified as current. Due to their short-term nature, their fair value is considered to be equal to their carrying amount.

The following table analyses financial liabilities by maturity:

| | 31 March 2022 £000 | 31 March 2021 £000 |
|---|---|---|
| Within One Year | 33,336 | 2,830 |
| Between One and Five Years | 505 | 15 |
| More Than Five Years | 5,693 | 5,480 |
| **Net Total** | **39,534** | **8,325** |



LGPS Central Limited

# KEY ADVISERS AND SERVICE PROVIDERS

### *EXTERNAL AUDITOR*

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### *DEPOSITARY AND ASSET SERVICER TO THE ACS*

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Image depicts Peak District National Park in Derbyshire, England.