LGPS Central Limited

Annual Report and Financial Statements

For the year ended 31 March 2023

Contents

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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 combined assets of these funds are approximately £56 billion (2022: £55 billion), managed on behalf of over one million LGPS members (2022: one million) and over 2,000 participating employers (2022: 2,000).

The Company is jointly owned on an equal-shares basis by eight administering local authorities.

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 Markets in Financial Instruments Directive (MiFID) II authorisation.

CHESHIRE PENSION FUND | Derbyshire Pension Fund | Leicestershire County Council PENSION FUND | NOTTINGHAMSHIRE PENSION FUND | Shropshire County Pension Fund | Staffordshire Pension Fund Local Government Pension Scheme | West Midlands Pension Fund | Worcestershire Pension Fund

Chair's Statement

I am pleased to present the Annual Report and Financial Statements for LGPS Central Limited covering the year ended 31 March 2023.

As we celebrate our fifth anniversary as a Company it's an opportune moment to reflect on the significant progress we've made over the years. In that time, we've grown to become a company responsible for over £26 billion of our Partner Funds' assets across private and public markets through 26 different investment funds and a mix of internal and external management.

Over the 2022 / 2023 financial year we have achieved a number of notable successes including:

- **launched** a £1 billion Global Sustainable Equity Fund;
- **received additional commitments of £1.15 billion** into our private market funds;
- **voted at 3,337 meetings** as part of our stewardship of the companies we own on behalf of our Partner Funds; and
- **welcomed Ian Armfield and Ciarán Barr as non-executive directors** to further strengthen our Board.

Since the year end we have successfully launched our direct property fund and have also appointed Belinda Moore as a fifth non-executive director. The year was also dominated by unsettling geopolitical events that have given rise to higher inflation and interest rates which, in turn, have created a much tougher environment for investment management and impacted the cost of living for LGPS members and our colleagues at LGPS Central Limited.

Responsible investment and engagement (RI&E) have been at the heart of everything we've done since we were established. Our RI&E colleagues have published our third annual Taskforce on Climate related Financial Disclosures (TCFD) report which showed that our financed emissions per million pounds invested has declined by almost 40% since 2019 and we have supported Partner Funds in the preparation of their own TCFD reports. We find encouragement in the progress made, while acknowledging that there is still a considerable amount of hard work ahead.

All these achievements have been made possible with the partnership and support of our eight Partner Funds and their administering local authorities. I am deeply grateful for their trust and confidence in us. Working together we've been able to create a pooling company that is much more than the sum of its parts. Leveraging the power of our Partner Funds' combined assets, since inception we've generated gross cost savings of £64.0 million on their behalf, and we anticipate delivering £326.4 million of gross cost savings within the first 15 years of our operations. During the 2023/24 financial year we will reach our cumulative break-even point, where the cost savings from products we have launched will be greater than the costs of establishing and running our Company from day one – a significant achievement for all concerned.

In May 2023, Mike Weston our CEO left the Company. In John Burns we have an excellent Interim CEO to take the helm and lead the organisation whilst the Board searches for a new CEO.

I would like to thank Eithne McManus and John Nestor who retired as non-executive directors during the year. Their service and dedication helped to build the Company into the organisation it is today.

As we enter our sixth year, we are focused on the medium-term and on planning for the next stages of our journey, ensuring we are positioned to maximise the opportunities presented by the recently published DLUHC guidance. With five successful years behind us, we are now looking ahead to ensure that we leverage the full potential of pooling through a wider range of investment opportunities and the application of deeper expertise as well as the economic benefits of scale for all of our Partner Funds.

I am immensely proud of the progress we have made as a Company, not only over the past year, but over the past five years. Our unwavering commitment to delivering value to our Partner Funds and ensuring a sustainable future for all remains steadfast. I would like to extend my sincere appreciation and thanks to our colleagues, my fellow Board members and our Partner Funds for their continued support and dedication to our shared mission.

Joanne Segars
Chair

Chair's Statement (continued)

LGPS Central Update

£26.4bn Assets under our stewardship As at 31/03/2023	£56bn Collective assets of Partner Funds As at 31/03/2023	47% Pooled assets As at 31/03/2023	£326m Projected gross savings by 2033/34
26 Funds Launched since 2018	Direct Property Latest product launched	38 External managers	80 Employees
100% Responsible Investment Integrated Status	TCFD Reports prepared	8 Partner Funds	Net Zero Commitment on assets under our stewardship 2050
UK Stewardship Code 2020 Signatory	3,337 Votes at meetings (Mar 2022 to Mar 2023)	40,981 Resolutions voted upon (Mar 2022 to Mar 2023)	Diversity Project Member

Source: LGPS Central, data as at 31 March 2023

Report from the Interim Chief Executive Officer

Further to the recent management changes, and alongside my Board and Executive Committee colleagues, I can confirm my total commitment to maintaining both the continuity of service to our clients and the momentum behind our pooling journey.

As interim CEO, I have reflected on my significant responsibility to all stakeholders, and I am honoured to lead this remarkable organisation.

We will remain steadfast in our commitment to providing sustainable and responsible investment solutions, upholding the highest standards of governance, and delivering the long-term investment performance that Partner Funds need to deliver the benefits promised to the million-plus members of their LGPS funds.

As at 31st March 2023, total assets under stewardship amounted to £26.4 billion (31st March 2022: £28.5 billion), including pooled assets under management of £21.4 billion (31st March 2022: £19.2 billion). Whilst we have grown our pooled assets over the year, we also support our clients with advice on assets that have not been transferred to our products. We actively work with our clients to support the management of these assets, which can include transitioning into our products, winding down of legacy illiquid assets and leveraging LGPS Central Limited's on-tap expertise and tools to support oversight. Over time, we expect the value of assets under advisory mandates to reduce as they transition into the pooled products.

Over 2022/23, our private markets products have shown very strong performance, and whilst it is still relatively early days in the life of long-term investment funds, the performance is a testament to the highly motivated and professional private markets team and support structure that we have built at LGPS Central Limited. Our approach to investment governance and our combined market leverage enables us to identify investment opportunities which meet our high standards of diligence, that provide the right level of risk and return, and that are consistent with both our and Partner Funds' responsible investment beliefs, whilst leveraging significant cost savings, particularly from our co-investments.

Private markets assets under management have also seen significant growth as a result of further commitments from our clients across our equity, debt and infrastructure funds. Our direct property fund was launched in May 2023, thereby providing access for our clients to all of the major asset classes across our range of products.

In public markets, we continue to offer specialist multi-factor passive and active funds to meet the needs of Partner Funds. Our longest running active fund, our Global Equity fund, is ahead of its target on a rolling three-year basis, demonstrating the benefits of our sound investment beliefs, dedicated colleagues and effective processes. However, in some areas such as Multi Asset Credit and Emerging Market Equities, performance has been more challenging. We continue to monitor, develop, and mould our other active funds, recognising that we are long term investors, aligned to the needs of our clients in the drive for long-term investment performance.

This year, colleagues across the organisation have put a huge amount of effort into the successful launch of our suite of sustainable active equity funds, with over £1 billion of subscriptions from our Partner Funds, demonstrating both the demand for sustainable investment solutions and confidence in our ability to deliver.

Over the year we also accomplished several significant activities across the responsible investment spectrum:

- We released our latest TCFD report, assisted Partner Funds in delivering their reports, and positioned our clients strongly ahead of mandatory reporting requirements.
- Our updated Responsible Investment Framework emphasises Board diversity, climate disclosure, biodiversity, and human rights, while formalising our approach to engagement escalation.
- Through our Net Zero commitments, we have developed an asset class-specific implementation strategy and monitoring dashboard to measure progress, showcasing our dedication to sustainable practices and fulfilling fiduciary responsibilities.

We recognise the importance of sustainability and the impact that responsible investing can have, and we remain committed to delivering upon these principles.

As the Covid-19 pandemic disappears in our rear-view mirror, we have put a significant amount of effort into prioritising colleague engagement and well-being; we remain dedicated to creating a positive work environment that aligns with our core value of being a great place to work.

Report from the Interim Chief Executive Officer (continued)

Hybrid working and flexibility is now embedded, and we have a great culture of collaboration and cross-pollination of ideas and working practices across all colleagues.

With the aim of furthering our People Strategy and observing a satisfying decline in colleague attrition rates this year, we conducted our annual assessment of market compensation while introducing multiple measures to enhance the well-being of our colleagues. In March 2023, we were thrilled to receive a nomination for the Diversity in Finance Awards 2023 by the FT Adviser. This nomination aptly acknowledged the diverse composition of our team and our commitment to fostering an inclusive and interactive work environment.

We have been delighted to host a number of Partner Funds and Shareholders in our office in Wolverhampton over the year to show how we are working for them to generate the investment outcomes they need.

Ultimately, we recognise that the key to the continued success of the Company lies in us working closely with our Partner Funds and Shareholders to build on the solid foundations established over the past five years to help shape future progress and align our strategic vision. As we look ahead to the next phase of pooling and the opportunities that it may provide, we remain committed to delivering a pooling company that maximises its value and the benefits of pooling on behalf of our Partner Funds.

John Burns
Interim Chief Executive Officer

> "This year, colleagues across the organisation have put a huge amount of effort into the successful launch of our suite of sustainable active equity funds, with over £1 billion of subscriptions from our Partner Funds, demonstrating both the demand for sustainable investment solutions and confidence in our ability to deliver."

Report from the Chief Investment Officer

Amidst the cost of living pressures, energy crisis, international unrest, and political changes that characterised the financial year, the Company remains committed to providing investment solutions and services for our Partner Funds.

The investment teams continue to work with the external managers of the ACS sub funds to ensure that the products remained true to their objectives throughout these volatile market conditions.

During this period, we have introduced a new set of ACS sub-funds focused on sustainable investments in global equity markets, offering thematic, targeted, and broad sub-fund options that allow Partner Funds to align with their strategic asset allocation needs. So far, four Partner Funds have invested a total of over £1 billion in these new sub-funds. Additionally, our private market products have continued to grow in popularity, with commitments from Partner Funds increasing by over £1 billion to reach £4.1 billion, including a newly created Inflation-Linked Infrastructure Debt Fund with nearly £0.5 billion invested.

To support our growing private markets products, we have been expanding our investment and operational expertise, welcoming new colleagues to our Finance team and recruiting four graduates from universities in the region through our training programme. We have also filled several vacant positions as the result of the promotion of existing colleagues.

In terms of market background, the financial year 2022/23 has been remarkable, with major banks tightening monetary policies in response to inflationary pressures. Central banks of the US, UK, Europe, Canada, and Australia have announced multiple interest rate hikes, leading to rising yields in fixed income markets. For example, US 10-year yields rose from 2.34% to a high of 4.25% in October 2022, ending the review period at 3.46%. The UK equivalent rose from 1.55% to 4.50% in late September 2022, reacting not only to global inflation but also to the fiscal package proposed by the Truss government. The Bank of England (BoE) had to intervene to support the gilt-edged market as sellers sought to liquidate tradeable assets to meet margin calls. As Rishi Sunak succeeded Liz Truss, policies were reversed and inflation has started to show signs of decline, although still higher than other major economies, with UK inflation running at nearly twice that of the US.

The speed and magnitude of the official rate hikes had unforeseen consequences, with two regional banks in California failing in early 2023 due to a run on their deposits and their inability to sell securities to meet liabilities given the rise in yields. The US Federal Reserve Bank (FED) stepped in to provide market liquidity to support the domestic banking system, and at the time of writing, has succeeded in averting a deeper crisis. The focus remains on the relationship between rate increases and the success in fighting inflation, and while recessions may occur, they are expected to be shallow in most countries.

Against this backdrop, fund performance has been varied, reflecting the volatility in markets, with two out of the eight funds and six out of 15 managers outperforming their benchmark during the period. Our longest-running fund, the Global Equity fund, is outperforming its benchmark and target on a rolling three-year basis. It is our belief that regardless of market conditions, a multi-manager fund format enhances performance opportunities, even when a single manager experiences a period of underperformance. Private market returns are also showing significant above-target performance, although their track record is shorter and affected by the characteristics of the mandates, as valuations tend to lag behind public markets.

In contrast, the Emerging Market Equity Sub Fund has been adversely affected by the consequences of the Russian invasion of Ukraine, despite having limited exposure. Additionally, the sub fund returns were negatively impacted by the volatility witnessed in the Chinese domestic market, resulting from policy changes. Elsewhere, the poor performance across most asset markets has led to the underperformance of the Multi Asset Credit Sub Fund, against its cash benchmark.

Our in-house passive equities management team managed five funds, all of which were within their tracking limits and performed as expected. We have also delivered cost savings for each of the pooled active investment products launched by the Company since its establishment, surpassing initial projections.

To ensure the ongoing fulfilment of Partner Funds' requirements, we have a range of additional products, including property, private equity, infrastructure, and private credit, with others currently in development and scheduled for future release.

We remain confident that our investment approach and product design ensures that we are well prepared for the current and future prospect of market volatility as the global macro-economic situation continues to develop.

Gordon Ross
Chief Investment Officer

Responsible Investment & Engagement

Responsible Investment and Stewardship continue to be central to our approach to investment management.

Patrick O'Hara
Director of Responsible Investment & Engagement

We recognise that climate change presents both risks and opportunities for investment returns. Therefore, it is an imperative for us to effectively manage the downside risks and capitalise on the opportunities to enhance returns over the long-term.

Our conviction in the merits of ESG and Responsible Investment remains unwavering. We believe that integrating ESG factors into investment processes leads to better-informed decisions and improved outcomes for investors. Recognising the risks posed by externalities to businesses, we view this integration as critical to fulfilling our fiduciary responsibility, distinct from ethics-based investing. We also consider ourselves as owners of the companies in which we invest, and with ownership comes responsibilities to these companies and other stakeholders. Our stewardship activities are a direct response to accepting these responsibilities and acknowledge our long-term investment horizon.

The debate around ESG and Responsible Investment gained traction in the US in 2022, with political implications at state and federal levels. Due to their position on climate change, including their engagement strategy and overall approach to environmental, social, and governance (ESG) factors, certain global asset managers were prohibited from securing state contracts in West Virginia and Texas.

In 2022, we released our latest TCFD report and assisted all eight of our Partner Funds in delivering their reports, strongly positioning our pool for the anticipated mandatory reporting requirements.

We reviewed our Voting Principles, reinforcing our expectations around board diversity, climate disclosure, biodiversity and human rights. Our Responsible Investment Framework was also updated in 2022, and we formalised our approach to escalation for engagement. We have also advanced our Net Zero commitment by developing an asset class-specific implementation strategy and progress monitoring dashboard.

Through a thorough due diligence process, we obtained a licence for additional ESG data and analysis, which will significantly enhance our assessment and reporting of ESG risks.

We are proud to have the Company confirmed as a signatory to the UK Stewardship Code by the Financial Reporting Council (FRC). This success reflects our deep conviction that stewardship is fundamental to fulfilling our fiduciary responsibilities.

We continued to deliver our Climate Risk Monitoring Service (CRMS) to our Partner Funds, helping them identify and assess climate risk exposures across their portfolios. The CRMS evolves continuously to align with developing reporting requirements and advancements in data and analytical capabilities.

This year's iteration of the report included scenario analysis for all eight of our Partner Funds, exploring three climate scenarios including a Rapid Transition, Orderly Transition and Failed Transition.

During 2022/23, our Responsible Investment and Engagement team conducted due diligence and completed Responsible Investment Integrated Status (RIIS) assessments for all product launches, including private equity, private credit, infrastructure and real estate asset classes. We achieved our target of 100% of our managers meeting this standard, with two deals being aborted due to concerns around the managers' ability to deliver on our expectations around RI.

We also conducted a full schedule of quarterly review meetings with our external fixed income and active equity managers in 2022/23, and our Responsible Investment and Engagement Team played an integral role in our three-year review of our active equity managers, conducting on-site assessments of their ESG integration in practice.

The 2022 voting season was eventful, providing further evidence of the mainstreaming of ESG integration and stewardship. Our core engagement themes, that were agreed with Partner Funds, include Climate Change, Human Rights, Plastic Pollution and Tax Behaviour. These themes continue to guide our prioritisation of engagements and resource allocation.

2022 Voting Statistics

Voted at **3,337** meetings

40,981 resolutions

Attended virtual AGM of **Shell**

EOS, our external stewardship provider, attended **13** AGM meetings and asked questions at eight of these, including

BP, Volkswagen, BMW, Royal Bank of Canada, Bank of Nova Scotia, Siemens Energy and Canadian Imperial Bank of Commerce

EOS made a statement and co-filed a shareholder resolution at **Berkshire Hathaway**

Voted against management or abstained, for one or more resolutions at **62.2%** of meetings

Responsible Investment & Engagement (continued)

Examples of our Activity

Climate Change

As one of the CA100 lead engagers on Glencore, we met with the CEO to discuss the company's Climate Progress Report, raising concerns about its short-term targets. At the AGM, 24% of investors opposed the company's transition plan. We also continued our focus on banks in 2022, recognising their vital role in financing the transition, particularly for private companies. We co-filed a shareholder resolution at Credit Suisse with other investors, urging improved climate risk disclosures, alignment of coal and gas policies with best practice, and publication of short and long-term targets to reduce fossil fuel exposure.

Human Rights

During 2022 we increased our focus on human rights, recognising its growing significance amid the effects of climate change. We urge companies to disclose their human rights policies and implement best practices. For technology companies, we require management of a broad spectrum of human rights risks. LGPS Central Limited participated in a successful investor initiative for FTSE 350 companies to meet Modern Slavery Act reporting requirements. We co-signed a letter to 44 non-compliant companies and held a meeting with ITV to discuss modern slavery risk management, alongside other investors.

Tax

In March 2022, we joined over 100 investors in signing a letter to the US Securities and Exchange Commission (SEC) supporting a shareholder proposal for tax transparency at Amazon. In April 2022, the SEC ruled in favour of shareholders, granting a vote on the issue. We also backed resolutions at Amazon's AGM for disclosure of global tax practices and risks. We engaged with six global companies, advocating for tax transparency as a business risk with strategies for risk management, alongside European institutional investors.

Plastics

In 2022, we actively engaged with companies involved in plastic pollution, in line with our core engagement themes. We supported the launch of the Ellen MacArthur New Plastics Economy Global Commitment and witnessed increased regulation on post-consumer packaging waste responsibility. We backed resolutions for plastic packaging reduction and joined other investors in calling for a UN treaty on plastic pollution, which was endorsed by 175 nations at the UN Environment Assembly. Despite an unsuccessful shareholder resolution at Tyson Foods' AGM to reduce plastic packaging, it garnered support from 59% of independent shareholders, demonstrating growing interest in ESG issues in the investment management industry.

Remuneration

Disappointingly, we saw evidence of remuneration returning to pre Covid-19 levels in 2022. At the AGM of Apple, we opposed the executive compensation proposal, 35% of investors joining us in voting against. Historic levels of dissent were witnessed at the JPMorgan Chase & Co. AGM with only 31% of investors endorsing the CEO's remuneration.

Diversity

We engaged with the Japanese financial services sector for greater board diversity and disclosure of diversity policies. We believe diverse boards make better decisions. We wrote to companies after AGMs to explain our voting rationale, which is an important part of our stewardship approach.

Our People

In today's dynamic business landscape, engaging with our colleagues continues to be a top priority for our Senior Team.

With a tight labour market and increasing challenges in finding niche skills and talent, compounded by the adoption of hybrid working arrangements, our focus this year has been on recruitment and retention, as well as continuing to foster a positive workplace culture.

Recruitment and Retention

Despite challenges in the past year, we are encouraged to see a stabilisation in turnover. As of March 2023, our establishment strength was 95%, reflecting effective recruitment efforts, with 20 skilled professionals hired during the year. We have also promoted internal growth opportunities through our talent plan, benefiting 17% of our colleagues. Four overseas colleagues from UK universities were sponsored during the year, bringing valuable experience to our business.

We have made significant appointments to key senior roles in the 2022/23 financial year, including the Chief Legal, Compliance and Risk Officer and the Chief Stakeholder Officer, which has broadened our leadership team. During the year two Non-Executive Directors retired and we have appointed their successors who bring valuable expertise. Additionally, we onboarded our third cohort of four graduates in October 2022, showcasing our dedication to talent development and creating leaders of the future through a 24-month rotation programme aligned with their career pathways.

Engagement and Wellbeing

Effective engagement, both listening and communicating with our colleagues is fundamental to business success. We use a number of tools to ensure that company information is disseminated effectively, and colleagues' views are heard, understood and considered. These include formal and informal colleague events, town hall and team meetings and regular direct communications. Our October 2022 colleague conference, provided a welcome opportunity to come together to recognise achievements both personal and Company. We value feedback from our Employee Staff Voice Group, an important channel for organisation wide matters which is the driving force behind several of our cultural celebrations and colleague social event programme.

In line with our commitment to the Menopause Pledge, we have established a Menopause support group, "MenTea". In addition we have several trained Mental Health First Aiders for confidential assistance for colleagues. We continue to look at ways to recognise and support our colleagues, providing a cost-of-living payment to lower earners in December 2022. New benefits introduced this year include the Cycle to Work and electric vehicle salary sacrifice schemes, health screening, Company service awards, and volunteering opportunities.

We conducted a formal market pay review this year to ensure our compensation remains competitive with a further review planned for next year. We have refreshed policies to support family leave, resulting in 12% of colleagues taking advantage of new family arrangements, in addition to hybrid working options. We continually monitor organisational culture and 'net promoter' scores through surveys and feedback channels, to maintain a positive work environment.

Learning and Development

We are continuing to invest in our workforce through building a learning organisation as our belief is that this promotes a good working environment, business success and retains colleagues. This year, we allocated an above-average number of UK training hours per employee, which included nine formal qualifications to support personal development. We recognise the importance of continuous learning and growth to enhance the skills and competencies of our workforce.

In particular, we provided specially-designed training to all our Senior Managers to support them in their leadership roles. We believe that strong leadership is crucial for the success of our business, and we provide our leaders with the necessary tools and resources to excel in their roles.

As a regulated entity we undertake regular assessment and certification of all colleagues under the FCA Fit and Proper regime, ensuring colleagues remain competent and capable in their roles as stewards of our Partner Fund pooled assets.

Our People (continued)

Equality, Diversity and Inclusion

We take pride in being a diverse and inclusive learning Company, where colleagues have the opportunity to excel and find fulfilment in their work with us.

We foster diversity and inclusion through our Equality, Diversity and Inclusion (EDI) agenda. We uphold best practices through networks like the Diversity Project and the Investment Association. As members of the Asset Owner Charter, we promote EDI in the investment sector.

Our workforce is diverse, with representation from 16 nationalities and cultures, bringing opportunity for a wide range of thought and experience. We are proud to report that 46% of colleagues are from minority ethnic non-white backgrounds, comparing favourably with the Central region and the pension members we serve, while 40% are female. Additionally, 33% (50% in March 2022) of our Board members are female, reflecting our aspiration for increased gender diversity at leadership levels in line with expectations of the Hampton Alexander and Davies Reviews.

Although not legally obliged to report on gender and ethnicity pay gaps, we believe in transparency and have been monitoring our pay gaps and distribution over the years. Our overall gender pay gap has been decreasing steadily, and we remain committed to reviewing our people policies and practices to support inclusivity. While we do not set specific targets for gender or ethnicity, as we believe in merit-based recruitment and promotion, we acknowledge the importance of being aware of the issues that impact pay gaps. As a business with a workforce of under 100 people, staffing changes can have a significant impact on the overall mean gap. As of March 2023, our median gender pay gap has decreased to 21.0% (compared to 41.2% in March 2022), and our mean gender pay gap is 34.6% (compared to 36.6% in March 2022), largely due to higher male representation in middle and top management positions. The Ethnicity Pay Gap has been calculated for the first time this year. The mean pay gap is 45.2% and is attributed to very few higher earners coming from ethnic minority backgrounds. All these metrics are kept under regular review and inform our recruitment, learning and development and retention approach. As such we recently reviewed our Recruitment and Progression Policy for fairness and balance and continue to monitor talent attraction processes.

In conclusion, we remain committed to developing and growing our capabilities through our talent pipeline. We believe this is best achieved through a strong workplace culture that recognises and engages colleagues whilst embracing diversity and inclusion.

Harj Kaur
Head of HR

"We remain committed to developing and growing our capabilities through our talent pipeline. We believe this is best achieved through a strong workplace culture that recognises and engages colleagues whilst embracing diversity and inclusion."

Financial Review

We continue to make significant progress in delivering for our Partner Funds despite the economic challenges and rising inflation, and we ended the year slightly under budget and with the Company holding sufficient capital to meet its regulatory obligations.

As at 31 March 2023, total assets under stewardship amounted to £26.4 billion (21/22 £28.5 billion), including pooled assets under management of £21.4 billion (21/22 £19.2 billion). As well as our pooled products, we continue to support our clients with advice on assets that have not been transferred to LGPS Central products, actively working to support the management of these assets.

The Company's financial performance for the year was a net loss before tax of £405,000 (2021/22: loss of £675,000). This net loss reflects costs associated with our pension obligations in accordance with IAS 19 amounting to a net additional cost of £854,000 (2021/22: £1.0 million).

The accounting changes reflecting the updated supplementary agreement signed between the company and Shareholders that guarantee pension benefits have also been implemented, leading to a Pension Reimbursement Asset being recognised on the balance sheet for 31 March 2023, to correspond with the liability for post-employment benefits. Remeasurements of the Pension Reimbursement Asset, a reduction of £2.7 million, have been reported in Other Comprehensive Income, together with the Net Actuarial Gains on Defined Benefit Schemes of £3.9 million.

Income of £14.1 million was receivable during the year (2021/22: £12.7 million), whilst operating expenditure stood at £14.2 million (2021/22: £13.0 million). These numbers are broadly consistent with our Business Plan for 2022/23. Net assets at the year end stood at £10.7 million, up from £6.8 million as at 31 March 2022 principally as a result of the recognition of the Pension Reimbursement Asset.

Tax

This is the first year that the Company has an income tax expense. This is due to the Company's cumulative net loss positions both on an accounting and a tax basis for all years since it began operating to 2021/22 inclusive coming to an end. At the end of 2021/22, the Company had tax losses carried forward of £107,000, all of which were absorbed by taxable profits in 2022/23.

The Company has generated profits for tax purposes in 2022/23 and is expected to do so for future periods. Both factors contributed to a requirement to reassess the Company's treatment and recognition of deferred taxes. Corporation Tax payable for the financial year 2022/23 is £89,000, with deferred tax expenses amounting to a further £22,000.

Capital

The Company is authorised by the Financial Conduct Authority (FCA) as a Collective Portfolio Management Investment Firm that conducts MIFID business and are classed as a MIFIDPRU Investment Firm. It is therefore subject to the requirements of the General Prudential Sourcebook, the Prudential Sourcebook for MIFID Investment Firms (MIFIDPRU) and the Interim Prudential Sourcebook for Investment Businesses (Chapter 11) for capital requirement purposes.

Every FCA-authorised firm must meet threshold conditions, requiring it to maintain financial and non-financial resources appropriate to the regulated activities it carries on. The Overall Financial Adequacy Rule ("OFAR"), set out in MIFIDPRU 7.4.7R, is the standard the FCA will apply to determine whether a MIFIDPRU investment firm has adequate financial resources.

The Company has an obligation to ensure that, at all times, there are adequate funds and liquid assets to:

- ensure that the Company remains viable throughout the economic cycle, with the ability to address any potential harm from its ongoing activities, and
- allow its business to wind down in an orderly manner, minimising harm to consumers or to other market participants, and without threatening the integrity of the wider UK financial system.

Each year, therefore, the Company undertakes a formal process to assess the regulatory capital position through the Internal Capital Adequacy and Risk Assessment (ICARA) process. The Company's regulatory capital position continues to be adequate.

Liquidity

As well as it being good business practice, the FCA requires the Company to have sufficient liquidity to meet its financial obligations as they fall due. Surplus liquidity is invested in AAA-rated money market funds. The balance of these as at 31 March 2023 was £13.2 million (31 March 2022: £9.5 million) with short-term working capital held in a current account being £28,516 (31 March 2022: £29,259).

Projected investment cost savings

We remain on track to deliver significant cost savings on investment products that are live or near to launch. Total gross cost savings achieved to date by the Company amount to £64.0 million at 31 March 2023, up from £42.8 million at 31 March 2022. The total projected saving by the Company over the 16-year period to 2033/34 is £326.4 million. This compares to a projection of £334.0 million as at 31 March 2022; the decrease in the projected saving is primarily due to the removal of the projected savings in respect of the targeted return sub-fund.

Outlook for 2022/23

The shareholders have approved the budgeted expenditure for the next financial year at £15.2 million (2021/22: £13.5 million). The increase reflects the additional capabilities that our Partner Funds will be able to take advantage of in 2023/24, including supporting their growing needs and the additional regulatory disclosure requirements on pension funds with respect to TCFD. It also reflects our key priorities for the coming year, being not just the effective management of partner fund assets, but also transitioning new assets into the Pool, Responsible Investment and Engagement, growing Partner Fund relationships, improving operational resilience and recruitment and retention.

Compliance & Risk Management

One of LGPS Central Limited's key focuses is to deliver benefits to our Partner Funds through investment and operational resilience. We are therefore dedicated to supporting that across the investment portfolio, managers, suppliers and our own internal control environment.

Overview

The legal, enterprise risk, compliance and investment risk functions work collectively to support the wider business to that end and ensure that we evolve effectively and proportionately with the growth and development of the Company. That has been of particular importance as the business moves from an establishment phase of growth to one more characterised by maturity and consolidation. This has been a focus for the 2022/23 financial year, involving key initiatives around developing succession within our second line functions, rationalising our approach to investment risk, adapting our compliance processes, and looking towards enhancing our governance resource.

Enterprise Risk Management

Our operational 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 business is willing to accept in meeting its strategic goals before mitigating actions are triggered.

The effective operation of our governance model ensures that we are identifying, monitoring, and managing those risks on an ongoing basis, as well as communicating and escalating them throughout the business. The framework is embedded within each department of the Company and so allows them to develop specific control processes to mitigate the individual risks they are most exposed to. Critically, this fosters a culture of ownership and accountability across the whole business.

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

Figure 1: 'Three Lines of Defence' Management Model

1st

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.

2nd

Second Line of Defence – Risk and Compliance Management

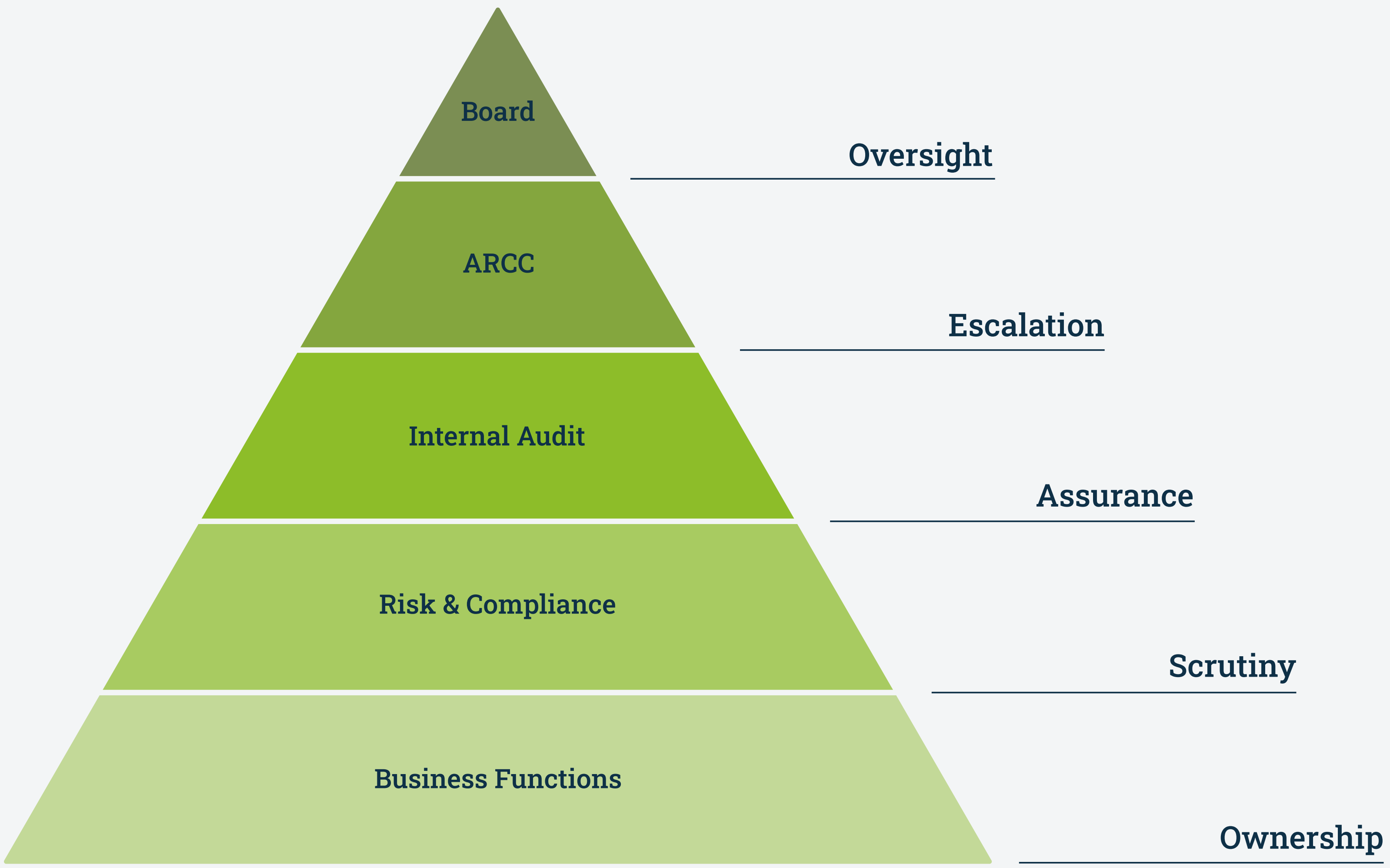
The second line provides policy direction and oversees and monitors the risk framework to determine whether all key risks are being identified, assessed and controlled by management in a manner commensurate with the Company's risk appetite and in compliance with policies and regulations.

3rd

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.

Compliance & Risk Management (continued)



Assurance on internal controls

The Company has undertaken its annual internal controls assessment in accordance with AAF 01/20 covering the period 1 January 2022 to 31 December 2022. This involved extensive testing by Deloitte of the design and operational effectiveness of the key controls within our business areas of Investment management, private markets and information technology. This is an important additional assurance exercise around the robustness of our control environment.

Compliance

The Compliance team carried out an annual Compliance Monitoring Programme (CMP) which reviewed key elements of the Company's ongoing compliance obligations on an annual cycle. The output from the CMP was managed and overseen by the robust internal Committee structure the Operations, Risk, Compliance & Administration Committee (ORCA), the Executive Committee, the Audit, Risk & Compliance Committee (ARCC) and the Board.

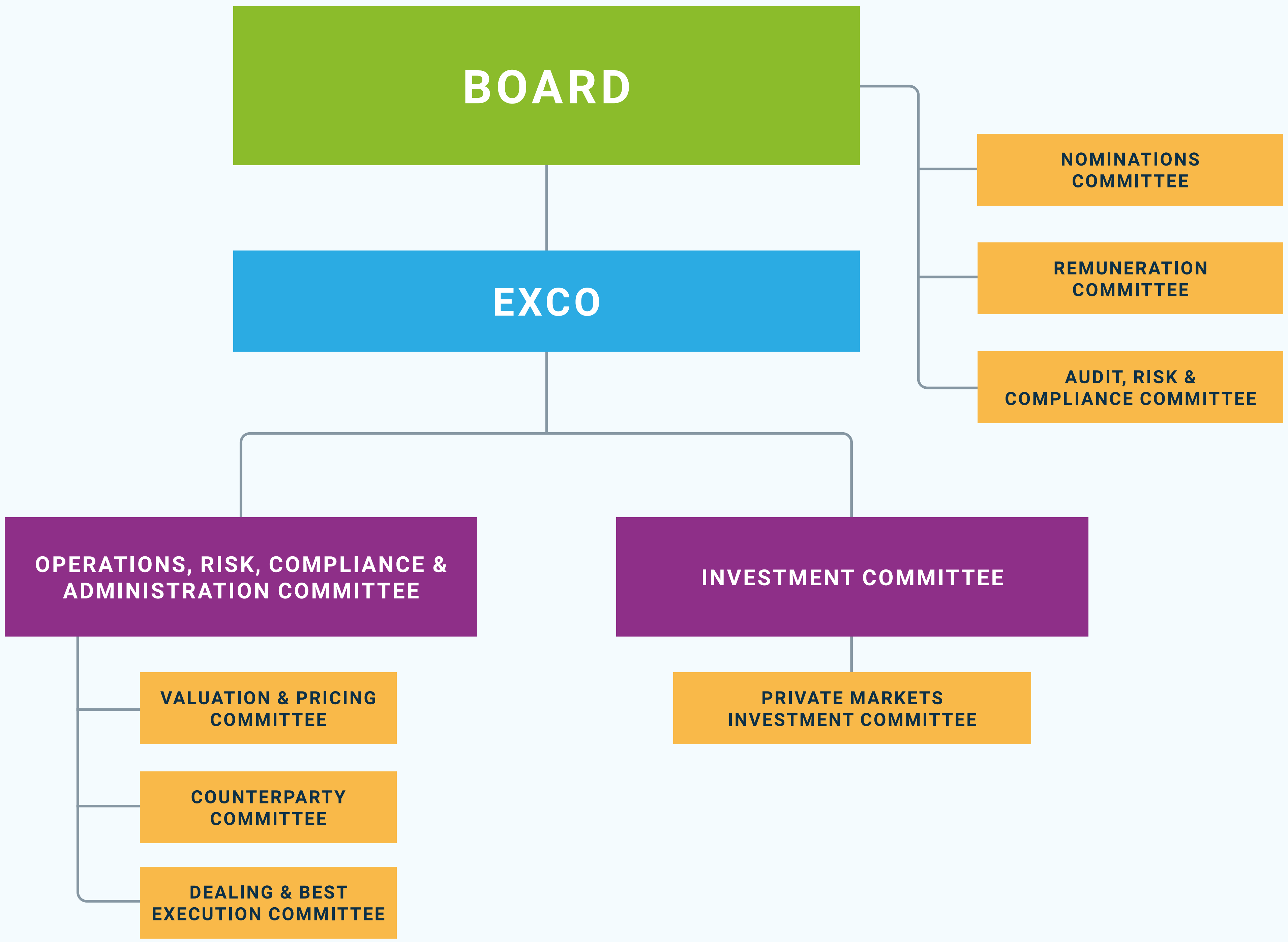
The Compliance team has also been working towards embedding a new learning management system and policy hub, as well as an external whistleblowing and case management hotline.

The Company continues to monitor the regulatory landscape and implement any necessary measures in response to regulatory change. Following the introduction of the Investment Firm Prudential Regime from the start of 2022, the firm has successfully realigned its regulatory capital assessment processes towards the new ICARA (Internal Capital and Risk Assessment) methodology. Other key themes the firm continued to monitor were around the FCA's initiatives with respect to operational resilience, ESG labelling, index reliance and the recent consultations around SMCR and the wider asset management/ investment fund regulatory framework.

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 in place since the Company's inception.

Figure 2: LGPS Central Limited Governance Structure



Stakeholder Engagement

This statement provides an opportunity to explain how LGPS Central Limited engages with all stakeholders 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 and its stakeholders, 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 the Company and Partner Funds is illustrated in Figure 3.

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

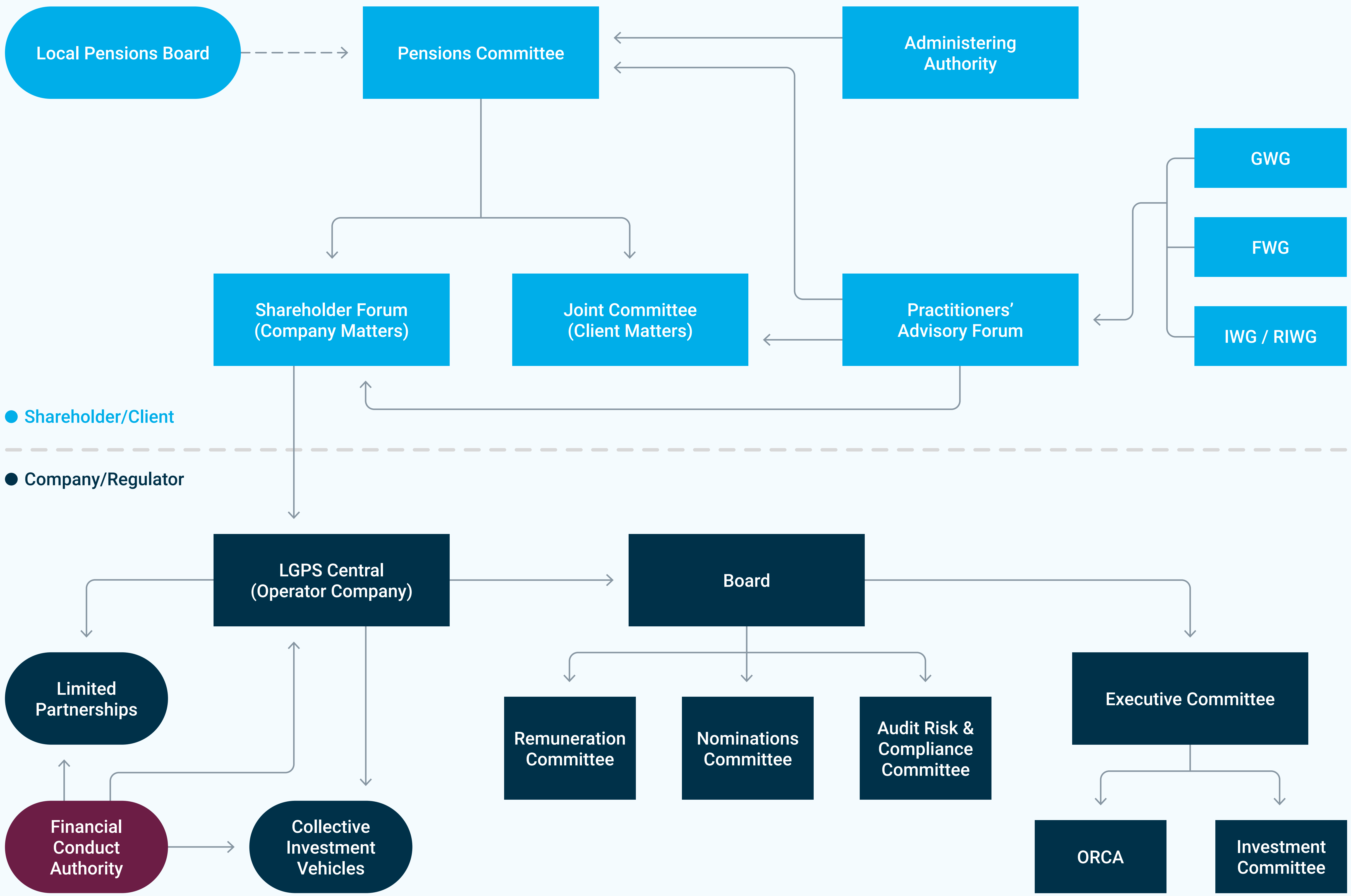
Company General Meeting

The Company General Meeting is led by the LGPS Central Limited Board, is attended by representatives from the eight Partner Funds and Shareholders (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 to vote on key resolutions. At the General meeting on 28 February 2023, the Shareholders approved the Company's Strategic Plan and Regulatory Capital Statement for the period 1 April 2023 to 31 March 2024.

Joint Committee

The Joint Committee includes one elected member (Councillor) from each of the eight Shareholders.

Figure 3: Governance Structure of the LGPS Central Pool



Stakeholder Engagement (continued)

The Committee met on 23 June 2022 and 11 November 2022. In both of these Committee meetings, the Chair presented on the progress of pooling, Company Investment Directors presented investment performance, the Director of Responsible Investment reported on activity and priorities, and the CEO presented Key Performance Indicators and focus areas.

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 colleagues. Proceedings of these meetings are routinely reported to the Board.

PAF (Practitioners Advisory Forum)

The Partner Fund-led forum includes representatives from each of the eight Partner Funds. 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, Director of Responsible Investment and Engagement, Chief Stakeholder Officer and members of the Client Services team.

GWG (Governance Working Group)

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

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 the Head of Finance. The group meets when required to provide input into and to scrutinise the annual budget and business plan.

IWG (Investment Working Group)

This is 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 and 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 that they meet Partner Funds' needs.

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 and Engagement and members of the Responsible Investment and Engagement team. 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.

Forum / Committee / Meeting	Number of meetings in 2022/23
Practitioners Advisory Forum (PAF)	12
Investment Working Group (IWG)	12
Responsible Investment Working Group (RIWG)	3
Finance Working Group (FWG)	1
Governance Working Group (GWG)	3
Joint Committee (JC)	2
Company General Meeting (CGM)	3

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.

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, Partner Funds or colleagues. The Company also distributes regular pulse surveys 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 colleagues are key to the success of the Company. This year saw significant recruitment activity to strengthen the workforce in key focus areas. 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 internal Board review was undertaken with the three-year external review due in the 2023/24 financial year.

How LGPS Central Limited Engages and Fosters Strong Relationships with Stakeholders

Stakeholders	How LGPS Central Limited Engages its 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 Responsible Investment Summit, which was held on 9 March 2023 and was attended by over 100 of our stakeholders along with guests from around the globe. We both attend and present at Partner Fund Committee meetings and provide training to Pension Committee Members when required.

Stakeholder Engagement (continued)

Stakeholders	How LGPS Central Limited Engages its Stakeholders
Colleagues	One of the Company's key values is to make LGPS Central Limited a great place to work. We have established a forum, the Employee Staff Voice Group, to hear suggestions and feedback from colleagues, which we also do via regular surveys. Colleagues are given regular Performance Development Reviews to ensure that they are progressing with their career, and we keep them informed of Company business with weekly updates from the 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 Shareholders through our AGM and Company General Meeting, where we provide key updates and answer questions. We produce our annual report and financial statements and quarterly financial updates. A substantial amount of time was spent by the Non-Executive and Executive Directors during 2022/23 speaking to representatives of Partner Funds and Shareholders in the form of collaboration meetings, presentations, and question-and-answer sessions to ensure that the Company's business plan and budget was in line with expectations.
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 to DLUHC annually. We provide responses to key consultation papers, such as the Local Government Pension Scheme (England and Wales): Governance and reporting of climate change risks, working with our Partner Funds to provide a pool-wide view in November 2022, ensuring that our voice is heard within the industry. We also 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 assets in the right way. We complete all applicable regulatory returns to the FCA and are in regular dialogue with them prior to seeking formal approval for new fund launches.
Industry Peer Group	Chairs of the eight LGPS pension pooling arrangements meet regularly to discuss shared challenges and opportunities. The CEO, DCEO, HR, Legal, Finance and Communications teams from the eight pools also meet regularly in sub-groups to discuss developments in their specific areas of expertise.

Stakeholders	How LGPS Central Limited Engages its Stakeholders
Local Communities	A significant change in the year saw all colleagues granted two days of paid leave to donate their time to charity and good causes. The time dedicated to such activities is captured on a centralised system for monitoring and reporting purposes.
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.
Environmental Impact	We are fully aware that Climate Change poses potentially catastrophic risks, both now and in the future. 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 have supported TCFD reporting since the Company's launch and call for all firms, including the companies in which we invest, to adopt its reporting standards.

How the LGPS Central Limited Board Considers Decisions on the Business Plan and Budget

We work very closely with Shareholders, Partner Funds and their Section 151 Officers to develop and approve the Company's annual Business Plan and Budget. This collaborative process begins with discussions on Partner Fund strategic priorities and how the Company can effectively address them. By engaging in regular conversations, we identify the services and funds required by Partner Funds and seek to establish a reasonable budget that delivers high-quality products and services while ensuring value for money. Approval of the Business 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.

The Board

Throughout the financial year 2022/23, the Board of the Company remained committed to maintaining a robust governance framework.

The Board consisted of a Non-Executive Chair and three additional Non-Executive Directors (NEDs), along with the Chief Executive Officer (CEO) and the Deputy Chief Executive Officer (DCEO) who serve as executive Board members. The Board devoted significant time and effort to ensure effective operation of the governance framework across the Company.

Board Attendance for the Period 1 April 2022 to 31 March 2023

Name	Board *(inc. 3 Specials)*	Remuneration Committee *(inc. 3 Specials)*	Audit, Risk & Compliance Committee *(inc. 1 Special)*	Nominations Committee *(inc. 2 Specials)*
Joanne Segars	9/9	7/7	n/a	4/4
Eithne McManus *(Retired 18 Nov 22)*	4/4	n/a	2/2	2/2
John Nestor *(Retired 31 Jul 22)*	1/1	1/1	1/1	n/a
Susan Martin	9/9	7/7	5/5	2/2
Mike Weston*	9/9	n/a	n/a	n/a
John Burns	8/9	n/a	n/a	n/a
Ian Armfield *(Joined 1 Nov 22)*	5/6	n/a	3/3	2/2
Ciarán Barr *(Joined 1 Nov 22)*	6/6	4/5	3/3	2/2

* Mike Weston resigned as a director on 9 May 2023.
n/a indicates that the Director is not a member of the Committee.

Board Biographies

Joanne Segars OBE

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

Joanne has over 30 years of experience in the pensions and investment sector as a seasoned chair and non-executive director. She became the inaugural Chair of LGPS Central Limited in May 2017 and is currently the Chair of the Trustee at NOW: Pensions and became the Chair of the Independent Governance Committee at Legal and General in 2022. She also serves on the Pension Fund Governing Board at CERN in Geneva. She has worked on a number of pension reviews including chairing The Joint Expert Panel on USS and a review of TfLs pension arrangements. Prior to that, she was Chief Executive of the Pensions and Lifetime Savings Association (PLSA) and Head of Pensions and Savings at the Association of British Insurers and Pensions Officer at the Trades Union Congress (TUC). She Chaired Pensions Europe, the EU trade association for pensions and was a founding governor of the Pensions Policy Institute. Joanne holds a degree in economics from John Moores University and an MA in Industrial Relations from the University of Warwick. She received an OBE for services to pensions in 2002.

Susan Martin

Non-Executive Director, Senior Independent Director, Chair of the Remuneration Committee and member of the Audit, Risk and Compliance Committee

Susan is experienced in strategic partnership working, start-ups, acquisitions, mergers, business change and organisational development in several industries. She is on the Board of Town and Country Housing where she chairs its Customer Experience Committee, is a member of Peabody Housing Customer Experience Committee and is a coach. Susan is former CEO of Local Pensions Partnership Ltd. Prior to this, she was CEO of the London Pension Fund Authority, and has also held director roles at Greenstone Consulting, Queen Victoria Hospital NHS Foundation Trust and Cancer Research UK. 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.

Ian Armfield

Non-Executive Director, Chair of Audit, Risk and Compliance Committee (ARCC) and member of the Nominations Committee

Ian has over 40 years of experience in investment, risk management and pensions, with his executive career as an audit and risk assurance partner at PwC, honing his expertise in financial governance. As a trusted figure in the investment industry, Ian is a Non-Executive Director and Chair of the Audit Committee at Keystone Positive Change Investment Trust PLC and at a regulated insurance company providing pooled investment management services to pension schemes. He is also the independent Audit and Risk Committee Chair for Pearson Pension Plan and was previously a board member at NEST.

Board Biographies (continued)

Ciarán Barr

Non-Executive Director, Workforce NED and member of Audit, Risk and Compliance Committee (ARCC), Nominations Committee and Remuneration Committee

Ciarán has over 30 years of experience in financial markets spanning economic strategy, pension funds and asset management. In his most recent executive role, he focused on improving member outcomes and long-term returns through restructuring and managing the investment architecture, including governance arrangements and multi-asset pooling. As a Board member at LGPS Central Limited, Ciarán is dedicated to collaborating with shareholders to deliver positive returns and ensure good value for money for investors. Ciarán is also a Board member at The People's Partnership and a Trustee/Director of two charities.

John Burns

Executive Director, Interim Chief Executive Officer

John joined the Board of LGPS Central Limited in September 2017, overseeing infrastructure functions and financial management. Previously, as Group Chief Operating Officer (COO) of Baring Asset Management, he had extensive international experience in institutional and wholesale sectors across developed, emerging and frontier markets. John held various COO, finance, and risk management roles with Schroders, Fidelity, and Visor Capital in London and Asia. His experience as an Executive Management Committee member includes leadership, strategic business development and oversight of asset management, with expertise in global regulatory and governance regimes.

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 colleagues and to assess performance against the objectives for Executive Directors. It also recommends pay and benefits for the executive directors and pay for the non-executive directors for Shareholder approval. The current members of the Committee are Susan Martin (Chair), Joanne Segars and Ciarán Barr, all of whom are independent Non-Executive Directors. One Committee member and the previous Committee Chair, John Nestor, retired during the year (August 2022). The Committee's authority and duties are clearly defined within its written terms of reference which together with its effectiveness are reviewed on an annual basis as part of the Board's performance evaluation process. The Committee met six times during 2022/23. The activities of the Committee during this time included:

Salary and Colleague Benefits

The Committee reviewed the remuneration and benefits available to LGPS Central Limited colleagues in line with the agreed peer group. A market pay benchmarking exercise was conducted by an external reward consultant identifying job roles below market levels. The Committee worked with the HR and Finance teams to develop and agree proposals for the annual pay award, in line with the agreed principles of the Remuneration Framework. This helped inform the pay budget recommendation to the Board and subsequently to Shareholders. The proposals for colleague remuneration, Executive Director and Non-Executive Director remuneration were reviewed and agreed at the General Meeting in February 2023.

A range of benefits, including those supporting retention and requiring salary sacrifice, were also discussed and approved. Benefits included volunteering days and an electric vehicle scheme. The Committee also considered a number of options in relation to colleague pension provision. No changes were made to the current pension package.

In recognition of the unique economic circumstances during the year, the Committee approved a one-off cost of living payment for lower earners. This payment was made in December 2022 and was well received.

Annual Review of Regulatory Remuneration Policy

The Regulatory Remuneration Policy was also reviewed in light of the new Remuneration and Benefit Framework. The Company is now subject to two Remuneration Codes, the Alternative Investment Fund Manager (AIFM) Remuneration Code and the Bank, Building Societies, and Investment Firms Prudential Sourcebook (BIPRU) Remuneration Code. Committee members had an in-depth discussion on the determination of Code Staff (senior management, material risk takers and leaders of control functions under the Senior Managers Certification Regime). The population of Code Staff was revised and updated accordingly in line with the determinations, ahead of the Fit and Proper assessments.

Annual Review of Expenses Policy

The Committee undertook the annual review of expenses claimed by Directors and reviewed the Company's Expenses Policy. Certain expenses are incurred by Directors and employees 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 that it remained appropriate to the business and its activities.

Performance Development

Members reviewed the analysis from the performance development review process, including insights from the senior management '360-degree' feedback process. A distribution of ratings for the pay award were approved in line with the proposed budget. Performance development reviews across the business are monitored for alignment with remuneration principles and assessment criteria as well as for any potential adverse impact on equality and diversity.

CEO/DCEO Objectives 2022/23

The Committee discussed the performance of the CEO and DCEO against their objectives and approved the assessments in line with the Company's Performance Development Review process and timelines. Members have ensured these also align with the assessment criteria set out in the Executive Director Remuneration and Benefits Policy.

Review of the Gender Pay Gap and Ethnicity Pay Gap

The Gender Pay Gap and Ethnicity Pay Gap were reviewed and noted by the Committee. It was acknowledged that given the size of the workforce, small changes in workforce have notable changes in the figures. This would be kept under review, specifically following the pay award and promotions processes, to understand and to take action as required on any impact.

Remuneration Committee (continued)

Equality, Diversity and Inclusion (EDI) and Social Mobility

The Committee has been looking at the broader impact of socio-economic measures on the Company's colleague demographics as well as actions to embed EDI through various initiatives to support engagement and representation at the right levels. The Company has been considering systems and management information that will provide more insight on EDI at a strategic level.

Culture Framework and Engagement

Members discussed the Culture Framework and progress in relation to the Company Culture Plan. This specifically focused on the results from the Best Companies Survey, regular pulse check, exit surveys and broader feedback from colleagues including the Employee Staff Voice Group.

Members have continued discussions to widen the remit of the Remuneration Committee to include other focal points around people and culture to ensure that these are monitored and considered.

Susan Martin
Chair of Remuneration Committee

> "In recognition of the unique economic circumstances during the year, the Committee approved a one-off cost of living payment for lower earners. This payment was made in December 2022 and was well received."

Audit, Risk and Compliance Committee

Report from the Chair of the Audit, Risk and Compliance Committee

The Audit Committee supports the Board in scrutinising the Company's financial reporting, risk management and internal control systems, and the independence and effectiveness of both the internal and external auditors.

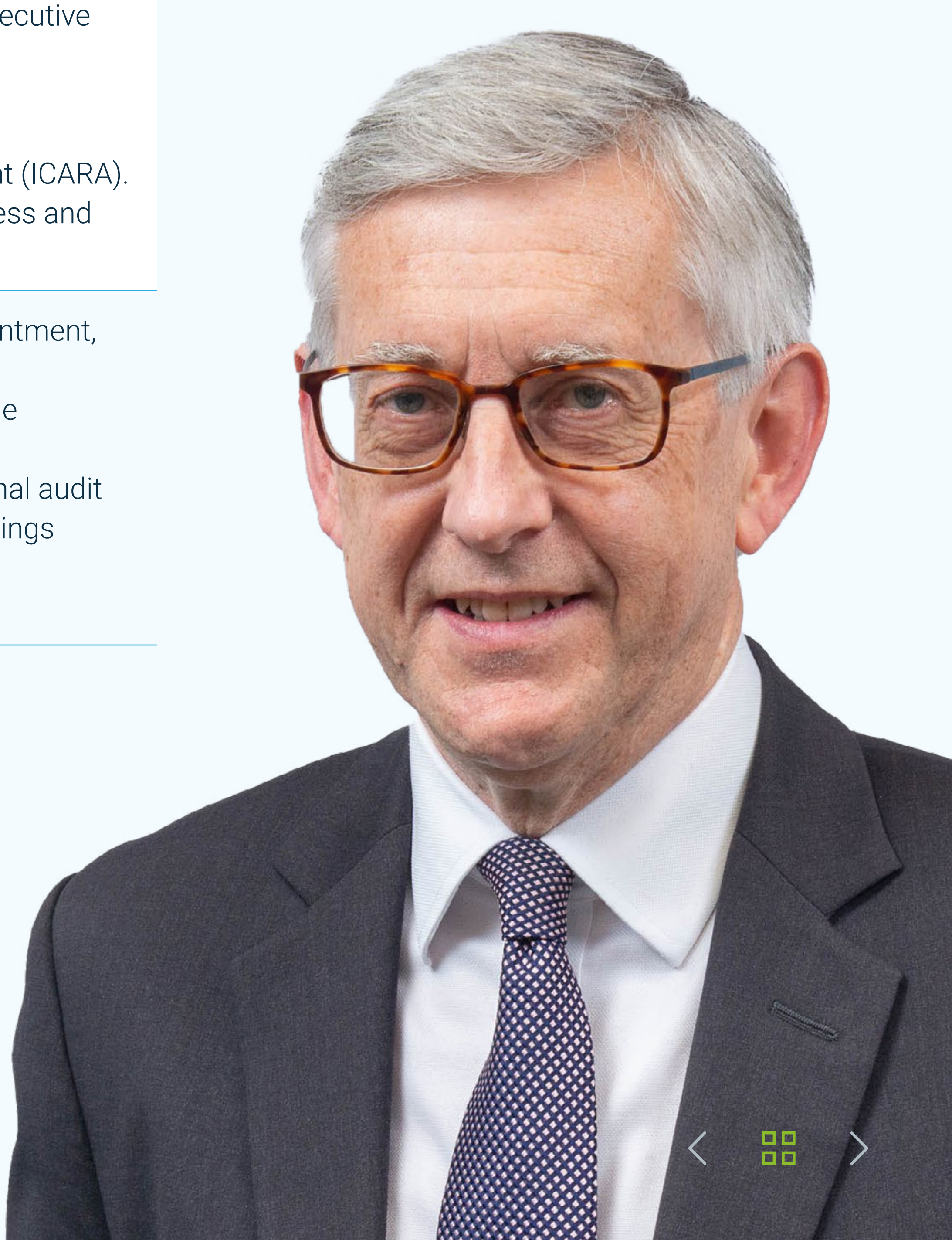
The Committee is chaired by Ian Armfield and includes Susan Martin and Ciarán Barr, all of whom are independent Non-Executive Directors. Two members of the Committee retired during the year, John Nestor (August 2022) and Eithne McManus (November 2022). The members of the Committee consider that they have the requisite financial skills and experience to fulfil the responsibilities of the Committee.

The Committee's authority and duties are clearly defined within its written terms of reference which together with its effectiveness are reviewed on an annual basis as part of the Board's performance evaluation process. At least once a year, the Committee meets with each of the external auditors and internal auditors without the presence of executive officers.

Activities of the Committee

The Committee met five times during the year and the external auditor, Deloitte LLP, attended four of those meetings. The Company's internal auditor, KPMG LLP, attended on four occasions.
The Committee was responsible for a range of matters including the following:

Financial reporting	• Monitoring the integrity of the Company's financial statements and reviewing key accounting policies, judgements and estimates. • Reviewing the appropriateness of the going concern basis for preparing the financial statements. • Considering the narrative elements of the annual report. • Reviewing the annual and half-year ACS accounts, and authorising the executive directors to sign the accounts. • Reviewing the alternative investments Limited Partnership accounts and authorising the executive directors to sign the accounts. • Reviewing the Company's annual regulatory capital adequacy assessment (ICARA). • Challenging the methodology, key assumptions and the results of the stress and scenario tests used in the ICARA.
External audit	• Overseeing the relationship with the external auditor including their appointment, performance and remuneration. • Reviewing the objectivity and independence of the external auditor and the appropriateness of any non-audit services that are provided. • Reviewing the scope, planning and matters arising from the annual external audit of the Company, the ACS and the Limited Partnerships, including any findings raised by the external auditor. • Reviewing the effectiveness of the external audit process.



Audit, Risk and Compliance Committee (continued)

Internal control and risk management	• Reviewing the adequacy and effectiveness of the Company's internal control processes. • Reviewing the process and outcome of the Company's annual AAF 01/20 controls assessment. • Evaluating the outcome of the Company's annual compliance monitoring programme. • Overseeing the identification and consideration of the Company's principal risks and mitigating controls. • Reviewing the implementation and operation of the Company's risk management framework, including its risk appetite and tolerances, risk assessments and governance process. • Reviewing the development of the risk management framework and monitoring its progress.
Internal audit	• Overseeing the relationship with the internal auditors, considering and approving their internal audit plan and providing oversight of its delivery. • Reviewing internal audit reports and monitoring management responses to internal audit recommendations. • Monitoring and evaluating the effectiveness of internal audit.

Financial Reporting

The Committee considers that the most significant issues likely to impact the Company's financial statements are the completeness and accuracy of operating income receivable from Partner Funds (as calculated using the cost-sharing model), the valuation of the net pension liability and the associated pension reimbursement asset, the valuation of non-current assets, and accounting for leases recognised in accordance with IFRS 16.

The Committee recommended to the Board the appropriateness of the going concern basis in preparing the financial statements, as outlined in Note 2 to the Financial Statements.

External Auditor

The Company's current External Auditor, Deloitte LLP, was re-appointed following a public procurement process for a period of three years to 31 March 2025 (with a possible two-year extension). Chris Hunter has served as audit partner this year, being his first year as audit partner for the Company.

To assess the effectiveness of the External Auditor and the external audit process, the Committee reviewed and considered the audit plan, the fulfilment by the Auditor of the agreed audit plan, a report from the Auditor on the conclusion of the audit, and the Audit Quality Inspection Report on Deloitte LLP issued by the FRC's Audit Quality Review Team (AQRT).

To fulfil its responsibility regarding the independence and objectivity of the External Auditor, the Committee considered the Auditor's arrangements to manage independence and a report from the Auditor on the conclusion of the audit setting out why the Auditor remains independent.

Deloitte LLP has confirmed that it believes it is independent within the meaning of regulatory and professional requirements and that the objectivity of the audit partner and staff is not impaired. Having carried out the review described above, the Committee is satisfied that the Auditor remains independent and effective for the purposes of this year's audit.

In terms of non-audit services, there are no inconsistencies between the FRC's Ethical Standard and the Company's policy for the supply of non-audit services or any apparent breach of that policy. Appropriate safeguards have been put in place by the Auditor, including the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.

Assurance on Internal Controls

The Committee received assurance from Deloitte in accordance with AAF 01/20, on the controls in place within the Company with respect to investment management and private markets services provided to Partner Funds and related information technology. Some control exceptions were identified, principally in relation to information technology and remedial action has been or is in the process of being taken.

Internal Audit

The Committee believes that the compliance and internal control systems and the internal audit function in place within the Company provide sufficient assurance that a sound system of internal control, which safeguards Shareholders' investments and the Company's assets, is maintained. The retention of an outsourced, specialist internal audit function continues to be a necessary part of the Company's overall assurance framework and is closely managed to align to the Company's organisational development.

Risk Management

The Company's risk appetite, assessment, and the way in which significant risks are managed is a key area of focus for the Committee. The Committee has undertaken an assessment of the operation of the Company's risk framework and those risks identified, evaluated and managed through that process. No significant weaknesses were identified in the year under review.

Ian Armfield
Chair of Audit, Risk & Compliance Committee

Nominations Committee

Report from the Chair of the Nominations Committee

The purpose of the Nominations Committee is to ensure there is an appropriately skilled and experienced Board, to recruit Executive and Non-Executive Directors, to oversee the performance of the Board (including that they are 'fit and proper persons') as well as reviewing senior succession planning to ensure the effective running of the Company and to recommend to Shareholders the appointment/re-appointment of Directors.

The members of the Committee at the end of the year are Joanne Segars (Chair), Ian Armfield and Ciarán Barr, all of whom are Independent Non-Executive Directors. Two directors ceased to be members of the Committee during the year, Eithne McManus (who retired as a Director in November 2022) and Susan Martin (November 2022). The Committee's authority and duties are clearly defined within its written terms of reference which together with its effectiveness are reviewed on an annual basis as part of the Board's performance evaluation process. The Committee met four times during 2022/23. The activities of the Committee during this time included:

Recruitment

Much of the Committee's activity over the year was focused on recruiting two new Non-Executive Directors (NEDs) to succeed the two NEDs who retired during the year. The Committee conducted an extensive search. To ensure the Company could select from a diverse and experienced field of candidates, the Company engaged the services of a specialist search company to identify one with experience in audit and risk and a second with experience in investment management. After a series of interviews and discussions, Ian Armfield and Ciarán Barr were welcomed to the Board in November 2022 following the approval of Shareholders. A similar process for selecting a further non-executive director was also commenced during the year and was concluded in June 2023 with the appointment of Belinda Moore.

Succession Planning

The Committee reviewed the succession plan twice during the year, to ensure that there is continuity of service and business operations if a key colleague is unavailable for a short period or leaves the business before a replacement has been appointed. A key focus of the Committee during the year has been to ensure that there are robust succession plans in place for both Board members and executives.

The Committee is satisfied 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 colleagues and the Board.

Fit and Proper Review

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.

Senior Managers as defined by the FCA (the CEO, the 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/Chair.

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 and its committees 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 and in the intervening years, an internal Board evaluation exercise takes place. The review for the 2022/23 financial year was an internal evaluation, showing that, overall, the Board was operating effectively. The next external Board review will be undertaken in the 2023/24 financial year.

The Board felt it had maintained suitable levels of skill and experience throughout the year following the retirement of Eithne McManus and John Nestor, with the appointment of Ian Armfield and Ciarán Barr to the Board.

Joanne Segars
Chair of Nominations Committee

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 2023.

Incorporation
LGPS Central Limited ('the Company') is incorporated in the United Kingdom and registered in England and Wales, registration number 10425159.

Principal activity
The principal activity of the Company is that of investment management.

Future developments
Details of the strategic direction can be found in the Chair's Statement on pages 4 to 5.

Going concern
The annual report and financial statements have been prepared on the going concern basis. Details of the considerations that the Company has considered 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 Report from the Interim Chief Executive Officer on pages 6 to 7 and in note 19 to the financial statements, as well as the Chair's statement.

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.

Operational risk
The Risk Framework is operated on a three lines of defence model as described on pages 14 to 15. The Company has taken out Legal and Professional Indemnity insurance including Directors and Officers Liability Insurance to mitigate the financial impact of any loss event.

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 2023, as the only trade receivables were income due from Partner Funds, and therefore local 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 under the going concern heading in note 2 to the financial statements.

Dividends
The Directors do not recommend a final dividend in relation to the year 2022/23 (2021/22: nil).

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

	Position	Date of Appointment
Joanne Segars	Chair, Non-Executive Director	1 May 2017
John Burns	Director and Interim Chief Executive Officer	21 September 2017
Mike Weston*	Director and Chief Executive Officer	7 March 2019
Susan Martin	Non-Executive Director	3 February 2020
Ian Armfield	Non-Executive Director	1 November 2022
Ciarán Barr	Non-Executive Director	1 November 2022

* Mike Weston resigned as a director on 9 May 2023.

Political contributions
No political donations were made during the year (2021/22: nil).

Engagement with stakeholders
The Company's engagement during the year with customers, suppliers and other relevant parties is set out in Section 9.2 (Stakeholder Engagement).

Modern Slavery Act
In adherence to the Modern Slavery Act 2015, the Board has approved the zero tolerance policies against slavery and human trafficking. This statement is made on behalf of the Company and was reviewed and approved by the Board on 28 June 2023 and is signed by our Chair. The statement is available on www.lgpscentral.co.uk.

Directors' Report (continued)

Whistleblowing

The Board has ensured that a culture of ethical behaviour is encouraged with a whistleblowing policy, as well as internal compliance, independent monitoring, and quality procedures supported by training. The Company has appointed the Chair of the Audit, Risk and Compliance Committee as the Whistleblowing Champion. This role has the responsibility for ensuring and overseeing the integrity, independence, and effectiveness of the Company's policies and procedures on whistleblowing.

The Company's Approach to Sustainability

The Board is responsible for approving and monitoring the Company's approach to Responsible Investment & Engagement (RI&E) as part of its oversight of our policies including the Responsible Investment & Engagement Framework ("the Framework"). The Framework is the overarching governing document for all responsible investment activities at the Company. The Board also reviews and approves the Company's Voting Principles, Annual Stewardship Report and Taskforce for Climate-Related Financial Disclosure Report.

The Company has also established a Board-level KPI that 100% of relevant products integrate responsible investment. This is done through an internal Responsible Investment Integrated Status (RIIS) certification. Regular updates on progress are provided to the Board.

Throughout the year, the RI&E Team provides the Board with an overview of the Company's latest RI&E efforts including stewardship activities and the Climate Risk Monitoring Service.

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 they ought to have taken as a director to make themself 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:

John Burns
Interim Chief Executive Officer
LGPS Central Limited

4 September 2023

First Floor
i9 Wolverhampton Interchange
Wolverhampton
WV1 1LD

Directors' Responsibilities Statement

Directors' Responsibilities with respect to the annual report and financial statements

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 financial reporting standards (IFRSs) in conformity with the requirements of the Companies Act 2006.

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 Company'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.

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 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards; 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.

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 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, including those that are specific to the Company's business sector.

Independent auditor's report to the members of LGPS Central Limited
(continued)

We obtained an understanding of the legal and regulatory frameworks that the 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 including relevant internal specialists such as pensions specialists 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 revenue recognition and in particular the accuracy of management fee revenue, focusing on any changes to existing or new agreements introduced during the year to ensure they had been implemented accurately. There is a fraud risk over the application of such changes to potentially inflate the amount of revenue recorded. Our specific procedures performed to address this risk are described below:
- Revenue recognition: We obtained an understanding of the process around revenue recognition, 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.

Chris Hunter CA
Senior statutory auditor

For and on behalf of Deloitte LLP
Statutory Auditor
Aberdeen, United Kingdom

4 September 2023

Financial Statements

for the Year Ended 31 March 2023

Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 31 March 2023

	Notes	2023 £000	2022 £000
Revenue	5		
- Operating Income		**14,113**	12,695
Total Revenue		**14,113**	12,695
Expenses	6		
- Staff Costs		**(7,340)**	(7,093)
- Other Operating Expenses		**(6,877)**	(5,889)
Total Expenses		**(14,217)**	(12,982)
Operating Loss		**(104)**	(287)
Interest Receivable		**252**	18
Interest Payable	12, 13	**(553)**	(406)
Loss Before Taxation		**(405)**	(675)
Taxation	7	**(111)**	-
Loss for the year		**(516)**	(675)
Other Comprehensive Income			
Net Actuarial Gain on Defined Benefit Schemes	15	**3,593**	1,258
Remeasurement of Pension Reimbursement Asset	15	**(2,665)**	-
Total Comprehensive Income for the Year		**412**	583

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

The financial statements on pages 33 to 50 were approved by the Board of Directors and authorised for issue on 4 September 2023 and were signed on their behalf by:

John Burns
Director
Company Registration Number 10425159

Statement of Financial Position as at 31 March 2023

	Notes	31 March 2023 £000	31 March 2022 £000
Assets			
Non-Current Assets			
Right-of-Use Assets	8	**1,088**	1,237
Property and Equipment	8	**353**	253
Pension Reimbursement Asset	15	**665**	-
Total Non-Current Assets		**2,106**	1,490
Current Assets			
Trade and other receivables	9	**5,595**	9,800
Cash and cash equivalents	10	**13,256**	38,489
Total Current Assets		**18,851**	48,289
Total Assets		**20,957**	49,779
Liabilities			
Current Liabilities			
Trade and other payables	11	**(2,082)**	(32,269)
Borrowing	12, 13	**(466)**	(242)
Other financial liabilities	16	**(189)**	(140)
Total Current Liabilities		**(2,737)**	(32,651)
Non-Current Liabilities			
Borrowing	12, 13	**(6,191)**	(6,198)
Other financial liabilities	16	**(685)**	(685)
Deferred tax liabilities	7	**(22)**	-
Post-employment benefits	15	**(665)**	(3,404)
Total Non-Current Liabilities		**(7,563)**	(10,287)
Total Liabilities		**(10,300)**	(42,938)
Net Assets		**10,657**	6,841
Capital and Reserves			
Called-up share capital	16	**10,520**	10,520
Pension Reimbursement Reserve	15	**739**	-
Retained losses		**(602)**	(3,679)
Total Capital and Reserves		**10,657**	6,841

Financial Statements

for the Year Ending 31 March 2023

Statement of Total Changes in Equity
for the Year Ended 31 March 2023

	Share Capital £000	Retained Losses £000	Pension Reimbursement Reserve £000	**Total** **£000**
Balance at 1 April 2022	10,520	(3,679)	-	**6,841**
Initial Recognition of Pension Reimbursement Asset	-	-	3,404	**3,404**
Loss for the year	-	(516)	-	**(516)**
Other Comprehensive Income				
Net Actuarial Gain on Defined Benefit Schemes	-	3,593	-	**3,593**
Remeasurement of Pension Reimbursement Asset	-	-	(2,665)	**(2,665)**
Total Other Comprehensive Income	-	3,593	(2,665)	**928**
Balance at 31 March 2023	10,520	(602)	739	**10,657**

	Share Capital £000	Profit and Loss Reserve £000	**Total** **£000**
Balance at 1 April 2021	10,520	(4,262)	**6,258**
Loss 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**

Statement of Cash Flows
for the Year Ended 31 March 2023

	Notes	**2023** **£000**	2022 £000
Net Cash Flows (used in)/from Operating Activities	17	**(25,082)**	23,553
Net Cash Flows used in Investing Activities			
Purchase of Property, Plant and Equipment		**(46)**	(293)
Total Net Cash Flows Used in Investing Activities		**(46)**	(293)
Net Cash Flows used in Financing Activities			
Contractual Amounts Payable for Leases Recognised under IFRS 16		**(105)**	(36)
Total Net Cash Flows Used in Financing Activities		**(105)**	(36)
Net (Decrease)/Increase in Cash and Cash Equivalents		**(25,233)**	23,224
Cash and Cash Equivalents at the Beginning of the Year		**38,489**	15,265
Cash and Cash Equivalents at the End of the Year		**13,256**	38,489

Notes to the Financial Statements

for the Year Ended 31 March 2023

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 Interim Chief Executive Officer on pages 6 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. In adopting IFRS, LGPS Central is consistent with its eight shareholders.

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.

a) Basis of Consolidation

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

Similarly, LGPS Central 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. These 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 expenses 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 would require consolidation with the Company's accounts.

b) Going Concern

The Company's charging model, being built on a cost-plus basis with charging in arrears, coupled with its secure client base, provides for a stable income stream. After reviewing the Company's budget and medium-term 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 of these financial statements.

In addition, available assets are anticipated to be sufficient to fulfil the regulatory capital requirement following a review of the same. There are therefore no concerns around regulatory capital which may impact on the Company's ability to continue in operation for the foreseeable future.

The Company therefore continues to adopt the going concern basis in preparing its financial statements.

c) New and Amended IFRS Accounting Standards that are Effective for the Current Year

In the current year, the Company has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- 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 Accounting Standards 2018-2020 Cycle

d) 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 and December 2021 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 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.

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 accounting judgements that have been made in the current year.

Notes to the Financial Statements

for the Year Ended 31 March 2023

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 15 (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 from its partner funds and shareholders, in the form of investment management and monitoring fees, recharges of governance costs and operator running costs and other recharges. The Company and the Shareholders have entered into a Cost-Sharing Agreement, which provides a commitment by the Shareholders to meet the Company's costs (subject to the annual budgetary approval process) and sets out how those costs will be shared between the Shareholders. 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.

a) 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).

b) 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.

a) 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.

b) 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 Executive Committee and the Audit, Risk and Compliance Committee, and externally, to the Financial Conduct Authority (FCA).

In addition to equity, the debt provided by the Shareholders 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. The Company remains subject to the requirements of the FCA's Internal Capital and Risk Assessment (ICARA) in the current period.

Defined Contribution Pension Schemes
Contributions to defined contribution pension schemes are charged to profit or loss 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

Notes to the Financial Statements

for the Year Ended 31 March 2023

agreed with scheme trustees.

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

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

Service costs are recognised in profit or loss and include current and past service costs as well as gains and losses on curtailments.

Net interest expense (or income) is recognised in profit or loss 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 other comprehensive income.

In accordance with the supplementary agreement between the Company and the eight shareholders, the agreement guarantees reimbursement of any pension liability, additional employer contributions not covered by the contribution schedules in force. The agreement guarantees both current and future deficits. Reimbursement from shareholders would be through recharges.

The agreement is considered a reimbursement asset and is recognised separately from the defined benefit liability. The pension reimbursement asset, recognised for the first time in the current year, has been valued as being equal to the value of the net defined benefit obligation as calculated in accordance with IAS 19. Remeasurements of the value of the pension reimbursement asset are recognised in Other Comprehensive Income. In addition, the Pension Reimbursement Reserve has been created to act as a store of the net remeasurements of the pension reimbursement asset.

The application of the supplementary agreement accounting has been done prospectively as the agreement has been formally approved and signed by the shareholders in March 2023. Before this, the original supplementary agreement did not provide sufficient certainty in order for a financial asset to be recognised. As such, retrospective application was not considered appropriate.

Dividends

Dividends are recognised when they become legally payable. Interim dividends to shareholders are recognised when declared by the Directors. Final dividends are recognised when approved by 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 income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for the year, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax rates and laws enacted or substantively enacted at the balance sheet date.

Deferred tax is provided on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted at balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income. In this case, the tax is also recognised in other comprehensive income.

The Company incurs irrecoverable Value-Added Tax (VAT) on some of its expenses, which is shown as an operating cost in profit or loss. 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 profit or loss 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 profit or loss, and the amount by which the balance of the lease is reduced. Assets have not been recognised where they would be of 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 14.

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 Shareholders.

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:

- Leasehold 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.

Notes to the Financial Statements

for the Year Ended 31 March 2023

5 Revenue

The Company's principal source of income is fees and recharges payable by its Partner Funds and Shareholders. Income for the year ended 31 March 2023 is analysed as follows:

	2023 £000	2022 £000
Investment Management and Monitoring		
- Authorised Contractual Scheme	**3,095**	2,915
- Limited Partnership	**784**	467
- Discretionary	**38**	21
- Advisory and Advisory-with-Execution	**141**	363
- Execution-Only	**9**	8
- Product Development	**1,201**	1,162
Governance	**2,054**	1,754
Operator Running Costs	**6,471**	5,935
Less: Revenue applied to the Pensions Reimbursement Asset	**(74)**	-
Other Recharges	**394**	70
Total	**14,113**	12,695

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. Considering these factors, the Company has not identified any contract assets or contract liabilities.

6 Expenses

The Company's expenses for the year ended 31 March 2023 are analysed as follows:

	2023 £000	2022 £000
Staff costs		
- Salaries	**5,257**	4,547
- Social Security costs	**660**	598
- Pension costs	**1,423**	1,515
Audit fees (financial statements)	**31**	32
Non-audit fees – CASS	**10**	10
Non-audit fees – AAF reporting	**71**	72
Irrecoverable VAT	**76**	66
Depreciation	**242**	189
Other Administrative Expenses	**6,447**	5,953
Total	**14,217**	12,982

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 74 at the beginning of the year to 80 at 31 March 2023 (2021/22: 70 to 74). The average number of employees over the course of the 2022/23 year was 75 (2021/22: 70). The following table provides a breakdown of breakdown of the average number of persons employed by the Company (including Directors) during the year.

	31 March 2023	31 March 2022	**Average 2022/23**	Average 2021/22
Board	**6**	6	**6**	6
Investments	**37**	36	**36**	35
Support Services	**37**	32	**34**	29
Total	**80**	74	**76**	70

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.

Notes to the Financial Statements

for the Year Ended 31 March 2023

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 taxable profits for 2018/19, 2019/20, 2020/21 and 2021/22, no corporation tax was payable for any of these years.

At the end of 2021/22, and after finalisation of that year's tax assessment, the Company had tax losses brought forward of £107,000, all of which have been absorbed during 2022/23. Furthermore, the Company has generated profits for tax purposes in 2022/23 and is expected to do so for future periods. Current and deferred tax payable for the year are as follows:

	2023 £000	2022 £000
Current tax:	89	-
Total current tax	89	-
Deferred tax:	22	-
Total deferred tax	22	-
Total tax expense	111	-

	2023 £000	2022 £000
Loss before taxation	(405)	(675)
Loss multiplied by standard rate of corporation tax in the UK of 19% (2021/22: 19%)	(77)	(128)
Effect of tax adjustments to loss for the year	186	-
Effect of pre-trading expenses used to reduce taxable profit for the year	(20)	128
Tax expense for the year	89	-

	2023 £000	2022 £000
Brought forward tax losses	(200)	(326)
Adjustment for final tax assessment for 2021/22	93	-
Taxable profit for the year	107	126
Carried forward tax losses	-	(200)

The standard rate of corporation tax applied to reported profits is 19% (2021/22: 19%).

At Budget 2021, the government announced that the Corporation Tax main rate (for all profits except ring fence profits) for the years starting 1 April 2022 and 2023 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.

Deferred tax assets/(liabilities)

Deferred tax assets/(liabilities) provided for at 19% in the financial statements are set out below:

	£000
Balance at 1 April 2022	-
Deferred tax charge in profit and loss account	(22)
Balance at 31 March 2023	(22)

The balance at 31 March 2023 represents temporary differences attributable to the following:

	Carrying amount	Tax base	Difference	Tax liability at 19%
Property, plant and equipment	243	75	(168)	(32)
Pension contribution adjustment	54	-	54	10
Total				(22)

Notes to the Financial Statements

for the Year Ended 31 March 2023

8 Property, Plant and Equipment

The Company has recognised assets arising from leases under IFRS 16 (details of commitments under those leases are provided in Note 14). 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 2022/23 or 2021/22.

	Premises £000	Equipment £000	**Total £000**
Cost			
Balance at 1 April 2022	1,568	401	**1,969**
Additions	-	193	**193**
Balance at 31 March 2023	1,568	594	**2,162**
Accumulated Depreciation			
Balance at 1 April 2022	(331)	(148)	**(479)**
Depreciation	(149)	(93)	**(242)**
Balance at 31 March 2023	(480)	(241)	**(721)**
Net Book Value			
Balance at 1 April 2022	1,237	253	**1,490**
Additions	-	193	**193**
Depreciation	(149)	(93)	**(242)**
Balance at 31 March 2023	1,088	353	**1,441**

	Premises £000	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**

Notes to the Financial Statements

for the Year Ended 31 March 2023

9 Trade and Other Receivables

	31 March 2023 £000	31 March 2022 £000
Trade Debtors	**5,120**	9,475
Prepayments	**475**	325
Total	**5,595**	9,800

The trade and other receivables balances above all fall due within one year.

10 Cash at Bank

	31 March 2023 £000	31 March 2022 £000
Money Market Funds	**13,227**	9,460
Cash At Bank	**29**	29,029
Total	**13,256**	38,489

Prior year cash at Bank included £29 million in the LGPS Central Dealing Account, being funds received for a Partner Fund subscription to the ACS that was in progress on 31 March 2022. This was matched by a trade creditor of £29 million, representing the obligation to transfer those funds to the ACS. The dealing account balance at year end 31 March 2023 is nil. For more details see Note 17.

11 Trade and Other Payables

	31 March 2023 £000	31 March 2022 £000
Trade Creditors	**1,661**	30,974
Social Security costs	**-**	70
VAT	**332**	1,225
Corporation Tax Payable	**89**	-
Total	**2,082**	32,269

The amounts shown above are all due within one year.

Prior year trade creditors included £29 million in the LGPS Central Dealing Account, being an obligation to transfer funds received for a Partner Fund subscription to the ACS that was in progress on 31 March 2022. These funds were transferred to the ACS subsequent to year end. For more details see Note 17.

12 Borrowing

	31 March 2023 £000	31 March 2022 £000
Loans	**4,795**	4,795
Accrued Interest Payable on Borrowing	**326**	227
Sub Total Loans	**5,121**	5,022
Finance Leases	**1,536**	1,418
Total	**6,657**	6,440

In January 2018, the Company entered into loan agreements with seven of its Shareholders 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 £326,000 has been accrued in respect of the 2022/23 year (2021/22: £225,000).

Notes to the Financial Statements

for the Year Ended 31 March 2023

13 Interest Payable

	2023 £000	2022 £000
Interest Payable on Borrowing	**326**	225
Interest Payable on Finance Leases	**76**	65
Net Interest Payable on Net Defined Benefit Liabilities	**104**	84
Preference Dividends Payable	**47**	32
Total	**553**	406

14 Leases and Lease Commitments

The following table summarises LGPS Central's payments under leases during 2022/23, and the year-end balance. The total amount payable under leases for 2022/23 was £105,000 (2021/22: £89,000).

	Premises £000	IT Equipment £000	Total £000
Balance at 1 April 2022	1,418	-	**1,418**
Additions	-	147	**147**
Interest Payable	66	10	**76**
Amounts Payable under Leases	(66)	(39)	**(105)**
Balance at 31 March 2023	1,418	118	**1,536**

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

	31 March 2023 £000	31 March 2022 £000
Within One Year	**14**	15
Between One and Five Years	**104**	-
More Than Five Years	**1,418**	1,403
Net Total	**1,536**	1,418

15 Pension Benefits

Defined Benefit Pension Scheme

LGPS Central Limited is an employer member of West Midlands Pension Fund ('the 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 for 2022/23 (2021/22: 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 was subject to its full actuarial valuation during 2022/23. Following this valuation, employer contributions fell to 18.4% with effect from 1 April 2023.

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.

Notes to the Financial Statements

for the Year Ended 31 March 2023

As at 31 March 2023, the net pensions liability was £665,000 (31 March 2022: £3.4 million). The following table sets out the movements in the net liability during 2022/23.

	Assets £000	Liabilities £000	**Net £000**
Balance as at 1 April 2022	4,082	(7,486)	**(3,404)**
Amounts recognised in Profit and Loss			
Current service cost	-	(1,162)	**(1,162)**
Past service cost	-	-	**-**
Contributions by employer	412	-	**412**
Contributions by employees	169	(169)	**-**
Benefits paid net of transfers in	(26)	26	**-**
Administration expenses	-	-	**-**
Interest on assets	120	-	**120**
Interest cost	-	(224)	**(224)**
Total amounts recognised in Profit and Loss	675	(1,529)	**(854)**
Amounts recognised in Other Comprehensive Income			
Return on assets less interest	(143)	-	**(143)**
Change in financial assumptions	-	4,974	**4,974**
Change in demographic assumptions	-	598	**598**
Other actuarial gains/(losses)	-	-	**-**
Experience gain/(loss) on liability	22	(1,858)	**(1,836)**
Total amounts recognised in Other Comprehensive Income	(121)	3,714	**3,593**
Balance as at 31 March 2023	4,636	(5,301)	**(665)**

	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 gain/(loss) 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 2023

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 2023 £000	31 March 2022 £000
Present Value of Defined Benefit Obligations	**(5,301)**	(7,486)
Fair Value of Plan Assets	**4,636**	4,082
	(665)	(3,404)
Funded Status	**-**	-
Restrictions on Asset Derecognised	**-**	-
Net Liability Arising from Defined Benefit Obligation	**(665)**	(3,404)

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 2023 £000**	**%**	31 March 2022 £000	%
Quoted Equities	**564**		547	
Unquoted Equities	**1,931**		1,654	
Total Equities	**2,495**	**54%**	2,201	54%
Gilts	**209**	**5%**	253	6%
Other Bonds	**732**	**16%**	664	16%
Property	**338**	**7%**	293	7%
Cash	**162**	**3%**	160	4%
Other	**700**	**15%**	511	13%
Total	**4,636**	**100%**	4,082	100%

The following table sets out the proportion of assets which have a quoted market price, and those which do not (based on 31 March 2023 valuations).

		Mar 23 Quoted %	**Unquoted %**	Mar 22 Quoted %	Unquoted %
Equities	All	**12.2%**	**41.8%**	13.4%	40.7%
Debt Securities	Corporate Bonds	**-**	**5.3%**	-	5.8%
	UK Government	**-**	**4.5%**	-	6.2%
	Other	**-**	**10.4%**	1.7%	8.7%
Property	UK Property	**-**	**7.3%**	-	7.2%
Investment Funds and Unit Trusts	Infrastructure	**-**	**5.4%**	-	4.0%
	Other	**-**	**1.9%**	-	1.7%
Derivatives	Foreign Exchange	**-**	**-**	-	-
	Other	**-**	**-**	-	-
Other	Absolute Returns	**-**	**-**	-	-
	Private Equity	**-**	**7.7%**	-	6.7%
Cash and Cash Equivalents	Cash/Temporary Investments	**-**	**3.5%**	-	3.9%
Net Current Assets	Debtors	**-**	**-**	-	-
	Creditors	**-**	**-**	-	-
	Other Long-Term Assets	**-**	**-**	-	-
Total		**12.2%**	**87.8%**	15.1%	84.9%

The unquoted equities include pooled investment funds which substantially comprise quoted equities but are not themselves quoted in an active market.

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 rate 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.

Notes to the Financial Statements

for the Year Ended 31 March 2023

- **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 Shareholders 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.

The Supplementary Agreement was updated in March 2023, as a result of which the Company has recognised an asset (the Pension Reimbursement Asset) in respect of its right to be reimbursed by the Shareholders in the event that it is unable to fulfil its obligations to pay pension contributions to WMPF. The Pension Reimbursement Asset has been valued as being equal to the value of the net defined benefit obligation as calculated in accordance with IAS 19. The table below shows the valuation of the asset at the year end.

	31 March 2023 £000
Initial recognition of Pension Reimbursement Asset	3,404
Receipts from Partner Funds	(74)
Remeasurement of Asset for movement in Defined Benefit Obligation for the year	(2,665)
Balance as at 31 March 2023	**665**

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.

	Assumption Used	Change in Assumption	Effect £000
Net Pensions Liability			**665**
Discount Rate Decrease	4.75%	+ / - 0.1%	**159**
Life Expectancy (from age 65) Increase	Retiring today Male: 20.0 years Female: 23.7 years Retiring in 20 years Male: 22.8 years Female: 25.5 years	+ / - 1 year	**212**
Long-Term Salary Increases	5.00%	+ / - 0.1%	**29**
Pensions Increases	2.95%	+ / - 0.1%	**132**

Other assumptions 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.

Notes to the Financial Statements

for the Year Ended 31 March 2023

The projected amount to be charged to operating profit for the financial year ended 31 March 2024 is as follows:

	Assets £000	Obligations £000	Net Asset/(Liability) £000	% of Pay
Projected Current Service Cost *	-	342	**(342)**	**(15.6%)**
Past Service Cost Including Curtailments	-	-	**-**	**-**
Effect of Settlements	-	-	**-**	**-**
Total Service Cost	-	342	**(342)**	**(15.6%)**
Interest Income on Plan Assets	233	-	**233**	**10.6%**
Interest Cost on Defined Benefit Obligations	-	263	**(263)**	**(12.0%)**
Total Net Interest Cost	233	263	**(30)**	**(1.4%)**
Total Included in Profit and Loss	233	605	**(372)**	**(17.0%)**

* The current service cost includes an allowance for administrative expenses of 0.5% of payroll. The monetary value is based on a projected payroll of £2.2 million.

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 (2022/23: £164,000; 2021/22: £145,000).

16 Called-Up Share Capital

	'A' Shares Ordinary £	'B' Shares Ordinary £	Total £
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**
Balance as at 31 March 2023	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 Shareholders. 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 Shareholders. 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 £189,000 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 2023 (comprising £46,000 in 2022/23, £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 2022/23 or 2021/22.

	'C' Shares Preference £
Balance as at 31 March 2021	796,000
Accrued dividends 2021/22	32,000
Balance as at 31 March 2022	828,000
Accrued dividends 2022/23	46,000
Balance as at 31 March 2023	874,000

Notes to the Financial Statements

for the Year Ended 31 March 2023

17 Reconciliation of Net Cash from Operating Activities

	2023 £000	2022 £000
Loss before Taxation	**(405)**	(675)
Movement in Trade and Other Receivables	**4,205**	(6,864)
Movement in Trade and Other Payables	**(30,276)**	29,786
Movement in Interest Payable	**148**	33
Net Defined Benefit Pensions Costs	**854**	1,019
Depreciation	**242**	189
Interest Payable for Leases Recognised under IFRS 16	**76**	65
Revenue Credited to the Pension Reimbursement Asset	**74**	-
Net Non-Cash Items	**(24,677)**	24,228
Net Cash (used in)/from Operating Activities	**(25,082)**	23,553

Net cash (used in)/from operating activities includes the net cashflows of acting as manager of the LGPS Central Authorised Contractual Scheme (ACS). At 31 March 2022 an ACS subscription of £29 million had been received into the LGPS Central Dealing Account but it did not clear the account until the following day. As a consequence there was a net ACS cash inflow of £29 million in the year ended 31 March 2022 and a net ACS cash outflow of £29 million in the year ended 31 March 2023. This is reflected in the movement in trade and other payables in the above reconciliation.

18 Related Party Transactions

LGPS Central 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 (Cheshire Pension Fund)
- Derbyshire County Council (Derbyshire Pension Fund)
- Leicestershire County Council (Leicestershire County Council Pension Fund)
- Nottinghamshire County Council (Nottinghamshire Pension Fund)
- Shropshire Council (Shropshire County Pension Fund)
- Staffordshire County Council (Staffordshire Pension Fund)
- Wolverhampton City Council (West Midlands Pension Fund)
- Worcestershire County Council (Worcestershire Pension Fund)

Those eight pension funds 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. LGPS Central is currently in the process of closing down this office. 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 Shareholders incurred setup costs on behalf of the Company, which were subsequently paid during 2018/19. This charge amounted to £4.0 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 2023 was £4.8 million, and accrued interest on these loans stood at £326,000 (31 March 2022: £227,000).

At 31 March 2023, preference share dividends of £189,000 (31 March 2022: £143,000) were accrued in respect of Wolverhampton City Council's holding of 'C' shares (see Note 15).

Notes to the Financial Statements

for the Year Ended 31 March 2023

The following tables show the amounts receivable from and payable to each authority, as recognised in the Statement of Profit or Loss and Other Comprehensive Income 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 share 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	**2023 Income £000**	**2023 Expenditure £000**	2022 Income £000	2022 Expenditure £000
Cheshire West and Chester Council	**1,598**	**(47)**	1,479	(32)
Derbyshire County Council	**1,232**	**(63)**	1,036	(47)
Leicestershire County Council	**1,499**	**(47)**	1,415	(32)
Nottinghamshire County Council	**1,384**	**(47)**	1,194	(32)
Shropshire Council	**669**	**(47)**	602	(32)
Staffordshire County Council	**1,558**	**(47)**	1,397	(32)
Wolverhampton City Council	**4,972**	**(349)**	4,734	(422)
Worcestershire County Council	**881**	**(47)**	768	(32)
Total	**13,793**	**(694)**	12,625	(661)

Administering Authority	**2023 Debtor £000**	**2023 Creditor £000**	2022 Debtor £000	2022 Creditor £000
Cheshire West and Chester Council	**581**	**(47)**	533	(32)
Derbyshire County Council	**406**	**(47)**	1,111	(32)
Leicestershire County Council	**531**	**(47)**	1,350	(32)
Nottinghamshire County Council	**535**	**(47)**	394	(32)
Shropshire Council	**211**	**(47)**	158	(32)
Staffordshire County Council	**530**	**(47)**	421	(32)
Wolverhampton City Council	**1,200**	**(59)**	4,704	(225)
Worcestershire County Council	**288**	**(47)**	178	(32)
Total	**4,282**	**(388)**	8,849	(449)

LGPS Central 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 bank account managed by LGPS Central Limited and known as 'the dealing account'. Any funds transferred into the dealing account are transferred out again within one to two days; as a result, the balance of this account is usually close to zero, consisting only of a few pounds held solely to accommodate rounding differences on transactions with the investors. On 31 March 2022, a subscription of £29 million was placed, meaning that a balance of cash in transit of £29 million was held in the dealing account on that date. This was recognised as a related party balance payable to the ACS. At 31 March 2023, there were no investor transactions in progress and the balance on the dealing account was £3.

Notes to the Financial Statements

for the Year Ended 31 March 2023

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 £1.4 million (2021/22: £1.5 million). No bonuses or termination payments were payable during the year.

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

Remuneration	**2023 £000**	2022 £000
Emoluments	**713**	706
Employer's National Insurance Contributions	**97**	90
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	**810**	796

Number of Directors Who:	**2023 Number**	2022 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	**2023 £000**	2022 £000
Emoluments	**309**	289
Employer's National Insurance Contributions	**44**	39
Company Contributions to Money Purchase Pension Schemes	**-**	-
Total	**353**	328

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.

The Company has an approved PAYE Settlement Agreement ("PSA") with HMRC which includes taxable director travel and subsistence expenses. The amount for travel and subsistence was £5,000 (2022: £5,500).

19 Post Balance Sheet Events

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

Notes to the Financial Statements

for the Year Ended 31 March 2023

20 Financial Instruments

LGPS Central 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 £373,000 as analysed in Note 12 (excluding interest payable on leases and in relation to defined benefit pension liabilities) (2021/22: £257,000).

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

	31 March 2023 £000	31 March 2022 £000
Financial Assets		
Financial Assets Measured at Amortised Cost		
- Trade and Other Receivables	**5,595**	9,800
Total Financial Assets	**5,595**	9,800
Financial Liabilities		
Financial Liabilities Measured at Amortised Cost		
- Trade and Other Payables	**(2,082)**	(32,269)
- Borrowing	**(6,657)**	(6,440)
- Preference Shares	**(874)**	(825)
Total Financial Liabilities	**(9,613)**	(39,534)
Net Total	**(4,018)**	(29,734)

Classification of Assets Measured at Amortised Cost

Trade debtors are amounts due from the Company's shareholders 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 2023 £000	31 March 2022 £000
Within One Year	**3,422**	33,336
Between One and Five Years	**498**	505
More Than Five Years	**5,693**	5,693
Net Total	**9,613**	39,534

Key Advisers and Service Providers

External Auditor

Deloitte LLP
Union Plaza
1 Union Wynd
Aberdeen
AB10 1SL

Internal Auditor

KPMG LLP
15 Canada Square
London
E14 5GL

Banker

Lloyds Bank
125 Colmore Row
Birmingham
B3 3SF

Directors

Joanne Segars
Chair

Mike Weston
Chief Executive Officer
(resigned on 9 May 2023)

John Burns
Deputy Chief Executive Officer
(Interim Chief Executive Officer since 9 May 2023)

Eithne McManus
Non-Executive Director
(resigned 18 November 2022)

John Nestor
Non-Executive Director
(resigned 31 July 2022)

Susan Martin
Non-Executive Director

Ian Armfield
Non-Executive Director
(appointed 1 November 2022)

Ciarán Barr
Non-Executive Director
(appointed 1 November 2022)

Belinda Moore
Non-Executive Director
(appointed 26 June 2023)

Tax Adviser

PwC LLP
No.1 Spinningfields
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Legal Adviser

Eversheds Sutherland (International) LLP
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